

High Yield Bond List

UBS CIO WM Credit



Analyst contacts	Coverage
Rochus Baumgartner, FRM rochus.baumgartner@ubs.com	Head corporate credit research, telecommunications
Peter Din peter.din@ubs.com	Head high yield credit research, automotives, consumer discretionary, consumer staples, healthcare
Thomas Keller thomas.keller@ubs.com	Industrials, telecommunication, packaging
Jayadev Mishra, CFA jayadev.mishra@ubs.com	Chemicals, energy, basic materials and engineering, pulp and paper
Thomas Rauh thomas.rauh@ubs.com	Automotive suppliers, gaming, travel and leisure, transportation

Please Note:

High yield bonds incorporate material credit and liquidity risks and are therefore not suitable for every investor. Although the market information in this product is believed to be accurate as of the publication date/time, we highlight that the liquidity of high yield bonds can change rapidly. All pricing information in this list is of indicate nature only.



Contents	Page
Market overview	Page 2
Attractive list	Page 3
Expensive list	Page 7
Sell list	Page 9
Changes to recommendations	Page 10
RbA Themes	Page 11
Automotives	Page 12
Chemicals	Page 19
Consumer discretionaries	Page 22
Consumer staples	Page 28
Energy and utilities	Page 37
Gaming, travel and leisure	Page 44
Healthcare	Page 52
Industrials	Page 56
Materials and engineering	Page 63
Pulp and paper	Page 71
Telecommunications	Page 74
Transportation	Page 83
Methodology	Page 88
Rating definitions	Page 89
Table of abbreviations	Page 90
Disclosures and Disclaimers	Page 91

Market overview

Credit quality, defaults new issues

The M&A market finally seems to pick up after years of mediocre activity. Year-to-date the transaction value of mergers & acquisitions involving US firms amounts to almost USD 660 billion – almost 75% more than over the same period last year. The deals that have been done or announced so far are financed relatively cautiously and mostly have a strategic purpose. As such the risks of aggressive re-leveraging and a deterioration of credit quality is not yet apparent. Actually, high yield spreads usually benefit from increasing M&A in this phase of the cycle as targeted firms often belong to the HY sector.

Review performance

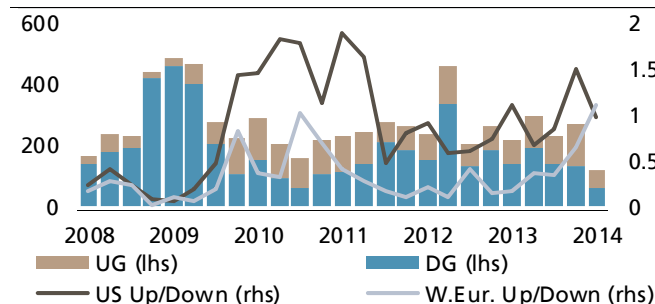
The past week was fairly quiet for high yield bonds, with spreads moving by and large sideways in the US (+2 bps to 378 bps) and widening mildly in Europe (+5 bps to 217 bps)¹. Total returns are similar on both sides of the Atlantic at 4.4% year-to-date. Senior loans are also delivering positive returns as expected (1.9% year-to-date in Europe and the US), but have so far underperformed other fixed income assets as their very short duration prevented them from benefitting from falling benchmark yields.

¹based on the BoAML US and EUR High Yield Indexes

Our market outlook

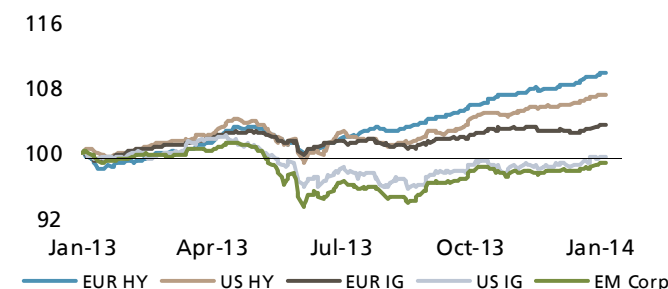
We are keeping a positive view on HY for the next six months and consequently are holding a tactical overweight position. We think that the risk premium offered by HY bonds is still attractive against a backdrop of open primary markets and very low default rates. On aggregate we prefer US HY over its European counterpart given higher spreads and yields on offer. Within the European fixed income universe, investors who can tolerate lower liquidity will find value in loans, which currently offer a higher yield than European HY bonds. Selected single European HY issuers also offer attractive opportunities.

Moody's rating changes per quarter



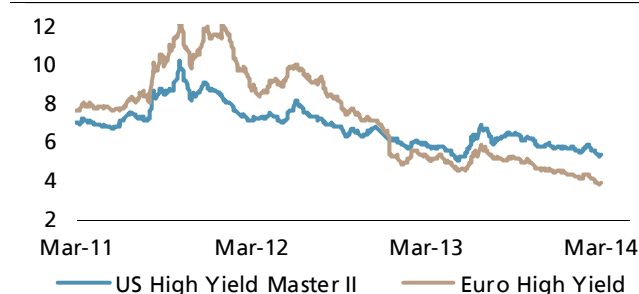
Source: Moodys, UBS, as of 4 March 2014

Total return last twelve months



Source: Barclays, JPM, UBS, as of 21 January 2014

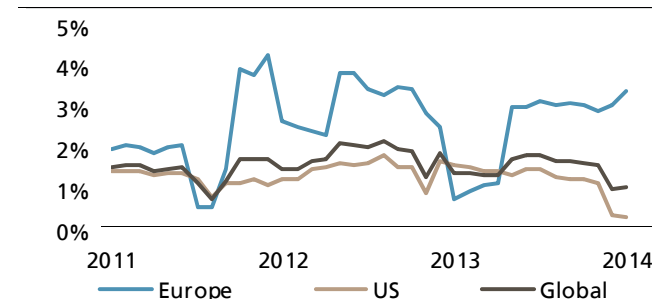
Yield to worst of non-financial HY index (Europe vs. US)



Source: BofAML, UBS, as of 4 March 2014

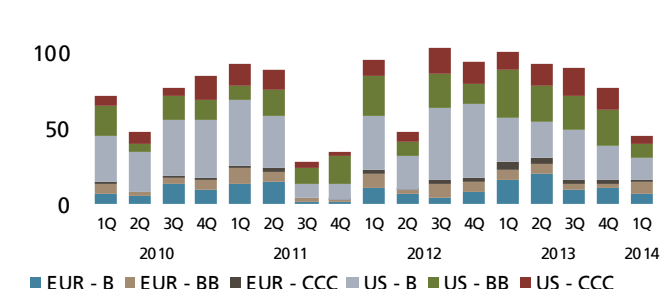
For more information on the strategy please contact Philipp Schöttler (philipp.schoettler@ubs.com)

Trailing 12m dollar-weighted HY default rates



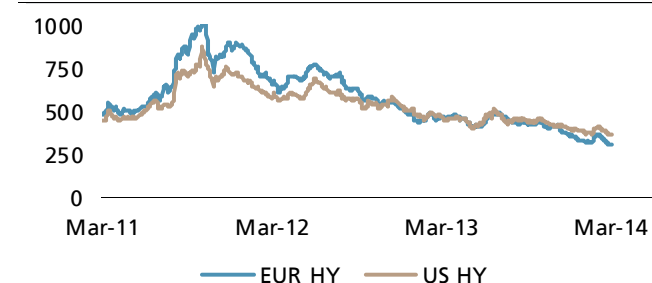
Source: Moodys, UBS, as of 4 March 2014

HY new issues per rating class (in USD bn)



Source: BofAML, UBS, as of 4 March 2014

HY Spreads (OAS)



Source: Barclays, UBS, as of 4 March 2014

Attractive list

Attractive BB bonds

Company	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
SMURFIT KAPPA ACQUISITIO (SKGID)	XS0828002807	EUR	5.125%	semi	15/09/2018	EURO-ZONE	SR SECURED	BB+ / BB / Ba2	110.1	1.0	2.6%	2.5%	188	yes	200 m	100 + 1
BUZZI UNICEM SPA (BZUIM)	XS0835273235	EUR	6.250%	annu	28/09/2018	EURO-ZONE	SR UNSECURED	BB+ / n.a. / n.a.	113.6	4.1	2.9%	n.a.	219		350 m	100 + 1
SMURFIT KAPPA ACQUISITIO (SKGID)	XS0880132989	EUR	4.125%	semi	30/01/2020	EURO-ZONE	SR SECURED	BB+ / BB / Ba2	106.6	1.3	2.9%	n.a.	197		400 m	100 + 1
ITALCEMENTI FINANCE (ITCIT)	XS0496716282	EUR	6.625%	annu	19/03/2020	EURO MTN	COMPANY GUARNT	BB+ / n.a. / Ba3	114.6	1.3	3.8%	n.a.	284		739 m	50 + 1
UPCB FINANCE II LTD (UPCB)	XS0583151682	EUR	6.375%	semi	01/07/2020	Euro-Non\$	SR SECURED	BB / n.a. / Ba3	107.1	2.6	5.0%	2.6%	210	yes	750 m	100 + 1
OI EUROPEAN GROUP BV (OI)	XS0542593792	EUR	6.750%	semi	15/09/2020	EURO-ZONE	COMPANY GUARNT	BB+ / WD / Ba2	119.2	2.2	3.3%	n.a.	235		500 m	50 + 1
LAFARGE SA (LGFP)	XS0975113498	EUR	4.750%	annu	30/09/2020	EURO MTN	SR UNSECURED	BB+ / BB+ / Ba1	112.3	3.1	2.6%	n.a.	158		750 m	100 + 1
FINMEC FINANCE SA (FNCIM)	XS0999654873	EUR	4.500%	annu	19/01/2021	EURO MTN	COMPANY GUARNT	BB+ / BB+ / Ba1	104.2	2.1	3.8%	n.a.	269		950 m	100 + 1
RENAULT SA (RENAUL)	FR0011769090	EUR	3.125%	annu	05/03/2021	EURO MTN	SR UNSECURED	BB+ / BB+ / Ba1	102.9	0.7	2.7%	n.a.	154		500 m	1 + 1
UNITYMEDIA HESSEN / NRW (UNITY)	XS0862322947	EUR	5.750%	semi	15/01/2023	EURO-ZONE	SR SECURED	BB- / n.a. / Ba3	108.8	2.1	4.5%	3.9%	337	yes	500 m	100 + 1
UNITYMEDIA HESSEN / NRW (UNITY)	XS0877974062	EUR	5.125%	semi	21/01/2023	EURO MTN	SR SECURED	BB- / n.a. / Ba3	106.4	0.6	4.2%	3.9%	335	yes	500 m	100 + 1
UNITYMEDIA HESSEN / NRW (UNITY)	XS0918739318	EUR	5.625%	semi	15/04/2023	EURO MTN	SR SECURED	BB- / n.a. / Ba3	108.4	0.7	4.5%	3.9%	339	yes	350 m	100 + 1
GKN HOLDINGS PLC (GKNLN)	XS0103214762	GBP	6.750%	annu	28/10/2019	Euro-Non\$	SR UNSECURED	BB+ / BBB- / Ba1	117.2	3.9	3.2%	n.a.	107		350 m	1 + 1
VIRGIN MEDIA SECURED FIN (VMED)	XS0658363865	GBP	5.500%	semi	15/01/2021	GLOBAL	SR SECURED	BB- / BB+ / Ba3	103.9	2.0	4.8%	n.a.	246		628 m	100 + 1
VIRGIN MEDIA SECURED FIN (VMED)	XS0889937305	GBP	6.000%	semi	15/04/2021	Euro-Non\$	SR SECURED	BB- / n.a. / Ba3	104.7	0.7	5.2%	5.2%	287	yes	1,100 m	100 + 1
JAGUAR LAND ROVER AUTOMO (TTMTIN)	XS1025866119	GBP	5.000%	semi	15/02/2022	Euro-Non\$	COMPANY GUARNT	BB / BB- / Ba2	102.9	1.6	4.5%	n.a.	206		400 m	100 + 1
GKN HOLDINGS PLC (GKNLN)	XS0830978259	GBP	5.375%	semi	19/09/2022	EURO MTN	SR UNSECURED	BB+ / BBB- / Ba1	110.7	1.0	3.9%	n.a.	129		450 m	100 + 1
CNH Industrial Capital L (CNH)	US12623EAH45	USD	3.250%	semi	01/02/2017	GLOBAL	COMPANY GUARNT	BB / n.a. / Ba1	102.5	1.0	2.3%	n.a.	150		500 m	2 + 1
CNH Industrial Capital L (CNH)	US12623EAF88	USD	3.625%	semi	15/04/2018	GLOBAL	COMPANY GUARNT	BB / n.a. / Ba1	102.9	0.4	2.8%	n.a.	159		600 m	2 + 1
MECCANICA HOLDINGS USA (FNCIM)	USU58200AA15	USD	6.250%	semi	15/07/2019	EURO-DOLLAR	COMPANY GUARNT	BB+ / BB+ / Ba1	109.9	2.3	4.1%	n.a.	242		434 m	100 + 1
MOL GROUP FINANCE SA (MOLHB)	XS0834435702	USD	6.250%	semi	26/09/2019	EURO MTN	COMPANY GUARNT	BB / BBB- / n.a.	109.1	1.1	4.3%	n.a.	259		500 m	200 + 1
HCA INC (HCA)	US404121AC95	USD	6.500%	semi	15/02/2020	GLOBAL	SR SECURED	BB / BB+ / Ba3	113.1	1.8	3.9%	n.a.	207		3,000 m	2 + 1
CENTURYLINK INC (CTL)	US156700AW62	USD	5.625%	semi	01/04/2020	GLOBAL	SR UNSECURED	BB / BB+ / Ba2	106.0	0.9	4.4%	n.a.	258		1,000 m	2 + 1
PUMA INTL FINANCING (PUMAFN)	XS1022807090	USD	6.750%	semi	01/02/2021	EURO-DOLLAR	COMPANY GUARNT	n.a. / BB / Ba3	103.7	2.2	6.1%	6.4%	432	yes	750 m	200 + 1
ARCELORMITTAL (MTNA)	US03938LAU89	USD	6.000%	semi	01/03/2021	GLOBAL	SR UNSECURED	BB+ / BB+ / Ba1	107.9	1.4	4.6%	n.a.	254		1,500 m	2 + 1
BANQUE PSA FINANCE (PEUGOT)	USF0819HE459	USD	5.750%	semi	04/04/2021	EURO-DOLLAR	SR UNSECURED	BB / n.a. / Ba1	108.1	0.8	4.4%	n.a.	225		250 m	2 + 1
SAPPI PAPIER HOLDNG GMBH (SAPSI)	USA35868AA59	USD	6.625%	semi	15/04/2021	EURO-DOLLAR	SR SECURED	BB / n.a. / Ba2	105.5	0.8	5.6%	5.2%	468	yes	350 m	200 + 1
ARCELORMITTAL (MTNA)	US03938LAX29	USD	6.750%	semi	25/02/2022	GLOBAL	SR UNSECURED	BB+ / BB+ / Ba1	112.1	1.7	4.9%	n.a.	256		1,100 m	2 + 1
WYNN LAS VEGAS LLC/CORP (WYNN)	US983130AT23	USD	5.375%	semi	15/03/2022	GLOBAL	UNSECURED	BBB- / BB+ / n.a.	104.6	1.1	4.7%	4.5%	261	yes	897 m	2 + 1
HCA INC (HCA)	US404121AE51	USD	5.875%	semi	15/03/2022	GLOBAL	SR SECURED	BB / BB+ / Ba3	109.1	1.2	4.5%	n.a.	218		1,350 m	2 + 1
CENTURYLINK INC (CTL)	US156700AS50	USD	5.800%	semi	15/03/2022	GLOBAL	SR UNSECURED	BB / BB+ / Ba2	104.1	1.2	5.2%	n.a.	285		1,400 m	2 + 1
FMG RESOURCES AUG 2006 (FMGAU)	USQ3919KAF86	USD	6.875%	semi	01/04/2022	EURO-DOLLAR	COMPANY GUARNT	BB- / BB+ / Ba2	108.3	1.1	5.5%	4.8%	400	yes	1,000 m	2 + 1
JAGUAR LAND ROVER AUTOMO (TTMTIN)	USG50027AE42	USD	5.625%	semi	01/02/2023	EURO-DOLLAR	COMPANY GUARNT	BB / BB- / Ba2	105.8	1.8	4.8%	4.6%	306	yes	500 m	150 + 1
HCA INC (HCA)	US404121AF27	USD	4.750%	semi	01/05/2023	GLOBAL	SR SECURED	BB / BB+ / Ba3	100.2	0.3	4.7%	n.a.	224		1,250 m	2 + 1
CINEMARK USA INC (CNK)	US172441AZ03	USD	4.875%	semi	01/06/2023	GLOBAL	COMPANY GUARNT	BB- / n.a. / B2	98.9	2.4	5.0%	5.7%	253	yes	530 m	2 + 1
BARRY CALLEBAUT SVCS NV (BARY)	BE6254003252	USD	5.500%	semi	15/06/2023	EURO-DOLLAR	COMPANY GUARNT	BB+ / n.a. / Ba1	106.7	2.5	4.6%	n.a.	208		400 m	200 + 1

Attractive BB bonds

Company	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
DENBURY RESOURCES INC (DNR)	US24823UAH14	USD	4.625%	semi	15/07/2023	GLOBAL	COMPANY GUARNT	BB / n.a. / B1	96.9	1.7	5.1%	6.2%	255	yes	1,200 m	2 + 1

Attractive B bonds

Company	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
FIAT FINANCE NORTH AMERI (FIAT)	XS0305093311	EUR	5.625%	annu	12/06/2017	EURO MTN	COMPANY GUARNT	BB- / BB- / B2	107.3	5.4	3.1%	n.a.	262		1,000 m	50 + 50
PEUGEOT SA (PEUGOT)	FR0011233451	EUR	5.625%	annu	11/07/2017	EURO MTN	SR UNSECURED	B+ / BB- / B1	108.8	4.9	2.6%	n.a.	215		600 m	1 + 1
EDCON PROPRIETARY LTD (EDCON)	XS0888936118	EUR	9.500%	semi	01/03/2018	Euro-Non\$	SR SECURED	B / n.a. / B3	101.8	1.9	8.9%	48.3%	811	yes	300 m	100 + 1
EDCON PROPRIETARY LTD (EDCON)	XS0596918135	EUR	9.500%	semi	01/03/2018	Euro-Non\$	SR SECURED	B / n.a. / B3	102.0	1.9	8.9%	46.3%	802	yes	317 m	100 + 1
PEUGEOT SA (PEUGOT)	FR0011439975	EUR	7.375%	annu	06/03/2018	EURO MTN	SR UNSECURED	B+ / BB- / B1	115.2	1.7	3.0%	n.a.	247		1,000 m	1 + 1
FIAT FINANCE & TRADE (FIAT)	XS0906420574	EUR	6.625%	annu	15/03/2018	EURO MTN	COMPANY GUARNT	BB- / BB- / B2	111.1	1.3	3.4%	n.a.	287		1,250 m	100 + 1
FIAT FINANCE & TRADE (FIAT)	XS0647264398	EUR	7.375%	annu	09/07/2018	EURO MTN	COMPANY GUARNT	BB- / BB- / B2	114.2	6.5	3.6%	n.a.	296		600 m	100 + 1
INEOS GROUP HOLDINGS SA (INEGRP)	XS0928189777	EUR	6.500%	semi	15/08/2018	EURO-ZONE	COMPANY GUARNT	B- / n.a. / B3	105.3	1.8	5.1%	4.2%	365	yes	500 m	100 + 1
CMA CGM (CMACG)	XS1005207961	EUR	8.750%	semi	15/12/2018	EURO-ZONE	SR UNSECURED	B- / n.a. / (P)Caa	107.2	3.9	6.9%	6.5%	613	yes	300 m	100 + 1
PEUGEOT SA (PEUGOT)	FR0011567940	EUR	6.500%	annu	18/01/2019	EURO MTN	SR UNSECURED	B+ / BB- / B1	114.2	4.5	3.2%	n.a.	243		600 m	1 + 1
CMA CGM (CMACG)	XS0618662562	EUR	8.875%	semi	15/04/2019	EURO-ZONE	SR UNSECURED	B- / n.a. / Caa1	107.0	1.0	7.1%	5.5%	508	yes	286 m	100 + 1
SCHAEFFLER FINANCE BV (SHAEFF)	XS1067864881	EUR	3.250%	semi	15/05/2019	EURO-ZONE	COMPANY GUARNT	B / n.a. / B1	99.7	0.1	3.3%	4.2%	255	yes	500 m	100 + 1
SCHMOLZ + BICKENBACH LUX (STLNSW)	DE000A1G4P59	EUR	9.875%	semi	15/05/2019	EURO-ZONE	SR SECURED	B / n.a. / B3	113.2	0.3	6.7%	3.4%	290	yes	168 m	100 + 1
CARLSON WAGONLIT BV (CARWAG)	XS0652911776	EUR	7.500%	semi	15/06/2019	EURO-ZONE	SR SECURED	B+ / n.a. / B1	109.2	3.4	5.4%	3.7%	321	yes	300 m	100 + 1
FIAT FINANCE & TRADE (FIAT)	XS0953215349	EUR	6.750%	annu	14/10/2019	EURO MTN	COMPANY GUARNT	BB- / BB- / B2	113.5	4.2	3.9%	n.a.	305		1,250 m	100 + 1
THOMAS COOK FINANCE PLC (TCGLN)	XS0937169570	EUR	7.750%	semi	15/06/2020	EURO MTN	COMPANY GUARNT	B / B+ / n.a.	111.2	3.5	5.5%	3.8%	349	yes	525 m	100 + 1
UPC HOLDING BV (UPCB)	XS0532178000	EUR	8.375%	semi	15/08/2020	EURO-ZONE	SECURED	B / n.a. / B2	110.0	2.4	6.4%	3.3%	280	yes	640 m	50 + 1
AVIS BUDGET FINANCE PLC (CAR)	XS0898656037	EUR	6.000%	semi	01/03/2021	Euro-Non\$	COMPANY GUARNT	B+ / BB- / B2	107.0	1.4	4.8%	4.3%	393	yes	450 m	100 + 1
FIAT FINANCE & TRADE (FIAT)	XS1048568452	EUR	4.750%	annu	22/03/2021	EURO MTN	COMPANY GUARNT	BB- / BB- / B2	104.2	0.9	4.0%	n.a.	291		1,000 m	100 + 1
ALTICE FINANCING SA (ALTICE)	XS1003905152	EUR	6.500%	semi	15/01/2022	EURO-ZONE	SR SECURED	BB- / n.a. / B1	106.5	3.0	5.4%	5.5%	431	yes	300 m	100 + 1
NUMERICABLE GROUP SA (NUMFP)	XS1028956222	EUR	5.375%	semi	15/05/2022	EURO-ZONE	SR SECURED	B+ / n.a. / (P)Ba3	104.6	0.3	4.7%	5.0%	357	yes	1,000 m	100 + 1
UPC HOLDING BV (UPCB)	XS0832993397	EUR	6.375%	semi	15/09/2022	EURO-ZONE	SECURED	B / n.a. / B2	108.0	1.3	5.2%	4.6%	418	yes	600 m	100 + 1
GIE PSA TRESORERIE (PEUGOT)	FR0010014845	EUR	6.000%	annu	19/09/2033	EURO-ZONE	COMPANY GUARNT	B+ / BB- / B1	107.0	4.1	5.4%	n.a.	319		600 m	1 + 1
THOMAS COOK GROUP PLC (TCGLN)	XS0504306001	GBP	7.750%	annu	22/06/2017	EURO MTN	COMPANY GUARNT	B / B+ / n.a.	111.2	0.7	3.8%	n.a.	224		300 m	50 + 1
BAKKAVOR FINANCE 2 PLC (BAKKA)	XS0942508549	GBP	8.750%	semi	15/06/2020	Euro-Non\$	SR SECURED	B- / n.a. / B2	112.8	3.9	6.2%	5.2%	402	yes	150 m	100 + 1
PREMIER FOODS FINANCE (PFDLN)	XS1043621090	GBP	6.500%	semi	15/03/2021	Euro-Non\$	SR SECURED	B / B / B2	103.6	1.3	5.9%	6.2%	364	yes	325 m	100 + 1
ALTICE FINANCING SA (ALTICE)	USL0178WAA01	USD	7.875%	semi	15/12/2019	EURO-DOLLAR	SR SECURED	BB- / n.a. / B1	110.1	3.5	5.7%	3.6%	309	yes	460 m	200 + 1
AGROKOR D.D (AGROK)	USX0027KAG32	USD	8.875%	semi	01/02/2020	EURO-DOLLAR	COMPANY GUARNT	B / n.a. / B2	112.7	2.9	6.2%	4.7%	420	yes	300 m	200 + 1
MGM RESORTS INTL (MGM)	US552953BY63	USD	6.750%	semi	01/10/2020	GLOBAL	COMPANY GUARNT	B+ / B+ / B3	111.4	1.1	4.7%	n.a.	265		1,000 m	2 + 1
HJ HEINZ CO (HNZ)	USU24716AA71	USD	4.250%	semi	15/10/2020	EURO-DOLLAR	SECURED	BB- / BB / B1	99.6	0.5	4.3%	7.1%	231	yes	3,100 m	2 + 1
LINN ENERGY LLC/FIN CORP (LINE)	US536022AF34	USD	7.750%	semi	01/02/2021	GLOBAL	COMPANY GUARNT	B+ / n.a. / B1	107.9	1.6	6.3%	4.4%	383	yes	1,000 m	2 + 1
SANDRIDGE ENERGY INC (SD)	US80007PAN96	USD	7.500%	semi	15/03/2021	GLOBAL	COMPANY GUARNT	B- / n.a. / B2	106.3	1.5	6.4%	5.8%	527	yes	1,174 m	1 + 1
ALTICE FINANCING SA (ALTICE)	USL0178WAE23	USD	6.500%	semi	15/01/2022	EURO-DOLLAR	SR SECURED	BB- / n.a. / B1	105.9	3.0	5.5%	5.8%	346	yes	900 m	200 + 1
HCA INC (HCA)	US404121AD78	USD	7.500%	semi	15/02/2022	GLOBAL	COMPANY GUARNT	B- / BB- / B3	115.1	2.1	5.1%	n.a.	282		2,000 m	2 + 1
NUMERICABLE GROUP SA (NUMFP)	USF6627WAB93	USD	6.000%	semi	15/05/2022	EURO-DOLLAR	SR SECURED	B+ / n.a. / (P)Ba3	103.7	0.3	5.4%	6.0%	336	yes	4,000 m	200 + 1
OASIS PETROLEUM INC (OAS)	US674215AE80	USD	6.875%	semi	15/01/2023	GLOBAL	COMPANY GUARNT	B+ / n.a. / B2	109.7	2.5	5.5%	4.5%	359	yes	400 m	2 + 1
SANDRIDGE ENERGY INC (SD)	US80007PAT66	USD	7.500%	semi	15/02/2023	GLOBAL	COMPANY GUARNT	B- / n.a. / B2	107.0	2.1	6.4%	6.1%	443	yes	825 m	1 + 1
AVIS BUDGET CAR/FINANCE (CAR)	US053773AV98	USD	5.500%	semi	01/04/2023	GLOBAL	COMPANY GUARNT	B+ / BB- / B2	102.1	0.9	5.2%	5.5%	302	yes	500 m	2 + 1
HCA INC (HCA)	US404121AG00	USD	5.875%	semi	01/05/2023	GLOBAL	COMPANY GUARNT	B- / BB- / B3	103.6	0.4	5.4%	n.a.	288		1,250 m	2 + 1

Attractive B bonds

Company	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
STENA AB (STENA)	USW8758PAK22	USD	7.000%	semi	01/02/2024	EURO-DOLLAR	SR UNSECURED	BB / n.a. / (P)B2	106.0	2.4	6.2%	n.a.	357		600 m	200 + 1

Attractive CCC bonds

Company	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
EDCON HOLDINGS PROP LTD (EDCON)	XS0982713173	EUR	13.375%	semi	30/06/2019	Euro-Non\$	SR SECURED	CCC / n.a. / Caa2	95.3	7.2	14.7%	27.2%	1,445	yes	425 m	100 + 1
ARDAGH GLASS FINANCE PLC (ARGID)	XS0480219640	EUR	8.750%	semi	01/02/2020	EURO-ZONE	COMPANY GUARNT	CCC+ / n.a. / Caa1	107.9	2.8	7.0%	3.3%	284	yes	180 m	50 + 1
ARDAGH PACKAGING FINANCE (ARGID)	XS0547019777	EUR	9.250%	semi	15/10/2020	EURO-ZONE	COMPANY GUARNT	CCC+ / n.a. / Caa1	111.3	1.1	7.0%	4.0%	355	yes	475 m	100 + 1
TENET HEALTHCARE CORP (THC)	US88033GCE89	USD	8.125%	semi	01/04/2022	GLOBAL	SR UNSECURED	CCC+ / B- / B3	112.9	1.3	6.0%	n.a.	372		2,799 m	2 + 1

Expensive list

Expensive BB bonds

Company	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
BANQUE PSA FINANCE (PEUGOT)	CH0187216012	CHF	3.250%	annu	25/09/2015	EURO MTN	SR UNSECURED	BB / n.a. / Ba1	102.8	2.2	1.1%	n.a.	99		225 m	5 + 5
RENAULT SA (RENAUL)	FR0010809236	EUR	6.000%	annu	13/10/2014	EURO MTN	SR UNSECURED	BB+ / BB+ / Ba1	101.9	3.7	0.8%	n.a.	49		750 m	1 + 1
EDP FINANCE BV (ELEPOR)	XS0495010133	EUR	3.250%	annu	16/03/2015	EURO MTN	SR UNSECURED	BB+ / BBB- / Ba1	101.6	0.6	1.3%	n.a.	77		1,000 m	50 + 1
LAFARGE SA (LGFP)	XS0365901734	EUR	6.125%	annu	28/05/2015	EURO MTN	SR UNSECURED	BB+ / BB+ / Ba1	105.4	6.1	0.7%	n.a.	12		750 m	50 + 50
EDP FINANCE BV (ELEPOR)	XS0221295628	EUR	3.750%	annu	22/06/2015	EURO MTN	SR UNSECURED	BB+ / BBB- / Ba1	102.5	3.5	1.4%	n.a.	81		500 m	1 + 1
RENAULT SA (RENAUL)	FR0010916734	EUR	5.625%	annu	30/06/2015	EURO MTN	SR UNSECURED	BB+ / BB+ / Ba1	104.9	5.1	1.1%	n.a.	53		650 m	1 + 1
FRESENIUS US FINANCE II (FREGR)	XS0390398344	EUR	8.750%	semi	15/07/2015	Euro-Non\$	COMPANY GUARNT	BB+ / BB+ / Ba1	109.3	3.2	0.5%	n.a.	-8		275 m	1 + 1
WIENERBERGER AG (WIEAV)	XS0731071055	EUR	5.000%	annu	01/08/2015	EURO-ZONE	SR UNSECURED	NR / n.a. / n.a.	104.5	4.1	1.1%	n.a.	57		200 m	1 + 1
LAFARGE SA (LGFP)	XS0235605853	EUR	4.250%	annu	23/03/2016	EURO MTN	SR UNSECURED	BB+ / BB+ / Ba1	105.6	0.8	1.1%	n.a.	71		500 m	50 + 1
ARCELOMITTAL (MTNA)	XS0431928414	EUR	10.625%	annu	03/06/2016	EURO-ZONE	SR UNSECURED	BB+ / BB+ / Ba1	117.9	10.4	1.5%	n.a.	117		1,000 m	50 + 1
EDP FINANCE BV (ELEPOR)	XS0256997007	EUR	4.625%	annu	13/06/2016	EURO MTN	SR UNSECURED	BB+ / BBB- / Ba1	106.2	4.4	1.5%	n.a.	116		500 m	50 + 1
DEUTSCHE LUFTHANSA AG (LHAGR)	XS0438813536	EUR	6.500%	annu	07/07/2016	EURO MTN	SR UNSECURED	BBB- / n.a. / Ba1	111.6	5.8	0.9%	n.a.	54		750 m	1 + 1
FMC FINANCE VI SA (FMEGR)	XS0477568637	EUR	5.500%	semi	15/07/2016	EURO-ZONE	COMPANY GUARNT	BB+ / n.a. / n.a.	109.4	2.0	1.0%	n.a.	65		250 m	1 + 1
EDP FINANCE BV (ELEPOR)	XS0435879605	EUR	4.750%	annu	26/09/2016	EURO MTN	SR UNSECURED	BB+ / BBB- / Ba1	106.5	3.2	1.9%	n.a.	147		1,000 m	50 + 1
LAFARGE SA (LGFP)	XS0434974217	EUR	8.875%	annu	24/11/2016	EURO MTN	SR UNSECURED	BB+ / BB+ / Ba1	117.6	4.5	1.6%	n.a.	120		750 m	50 + 1
CHESAPEAKE ENERGY CORP (CHK)	XS0273933902	EUR	6.250%	semi	15/01/2017	Euro-Non\$	COMPANY GUARNT	BB+ / BB- / Ba1	110.0	2.3	2.3%	n.a.	189		344 m	50 + 1
HEIDELBERGCEMENT FIN LUX (HEIGR)	XS0458230322	EUR	8.000%	semi	31/01/2017	EURO-ZONE	COMPANY GUARNT	NR / BB+ / Ba1	116.4	2.6	1.7%	n.a.	126		1,000 m	1 + 1
LAFARGE SA (LGFP)	XS0307005545	EUR	5.375%	annu	26/06/2017	EURO MTN	SR UNSECURED	BB+ / BB+ / Ba1	111.2	4.9	1.6%	n.a.	113		540 m	50 + 50
LEVI STRAUSS & CO (LEVI)	XS0520235218	EUR	7.750%	semi	15/05/2018	GLOBAL	SR UNSECURED	BB / BB- / Ba3	104.7	0.3	6.4%	-4.1%	-439	yes	149 m	50 + 1
WIENERBERGER AG (WIEAV)	AT0000A0PQY4	EUR	5.250%	annu	04/07/2018	EURO-ZONE	SR UNSECURED	NR / n.a. / Ba2	112.5	4.7	2.0%	n.a.	140		100 m	1 + 1
FRESENIUS US FINANCE II (FREGR)	USU31436AD72	USD	9.000%	semi	15/07/2015	EURO-DOLLAR	COMPANY GUARNT	BB+ / BB+ / Ba1	109.5	3.3	0.5%	n.a.	-3		500 m	2 + 1

Expensive B bonds

Company	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
ABENGOA SA (ABGSM)	XS0469316458	EUR	9.625%	semi	25/02/2015	EURO-ZONE	COMPANY GUARNT	B / B+ / B2	105.5	4.7	2.2%	n.a.	168		300 m	50 + 50
PEUGEOT SA (PEUGOT)	FR0010915116	EUR	5.625%	annu	29/06/2015	EURO MTN	SR UNSECURED	B+ / BB- / B1	104.5	5.1	1.4%	n.a.	88		460 m	1 + 1
AIR FRANCE-KLM (AFFP)	FR0010814459	EUR	6.750%	annu	27/10/2016	EURO-ZONE	COMPANY GUARNT	n.a. / n.a. / n.a.	110.6	3.9	2.2%	n.a.	179		700 m	50 + 50
FAURECIA (EOFP)	XS0704870392	EUR	9.375%	semi	15/12/2016	EURO-ZONE	COMPANY GUARNT	n.a. / n.a. / Ba3	118.5	4.2	1.9%	n.a.	149		490 m	100 + 1
AIR FRANCE-KLM (AFFP)	FR0011374099	EUR	6.250%	annu	18/01/2018	EURO-ZONE	COMPANY GUARNT	n.a. / n.a. / n.a.	111.5	2.2	2.9%	n.a.	231		500 m	100 + 100
ONTEX IV (ONTEX)	XS0611590299	EUR	4.453%	quart	15/04/2018	EURO-ZONE	SR SECURED	B / n.a. / B1	100.9	0.5	4.2%	-7.9%		yes	280 m	100 + 1
CIRSA FUNDING LUXEMBOURG (CIRSA)	XS0506591519	EUR	8.750%	semi	15/05/2018	EURO-ZONE	COMPANY GUARNT	B+ / n.a. / B3	104.8	0.3	7.3%	2.5%	220	yes	900 m	50 + 1
REFRESCO GERBER BV (REFRLN)	XS0626350028	EUR	4.335%	quart	15/05/2018	EURO-ZONE	SR SECURED	B+ / n.a. / B3	101.5	0.1	3.9%	-15.5%		yes	300 m	100 + 1
REFRESCO GERBER BV (REFRLN)	XS0626347743	EUR	7.375%	semi	15/05/2018	EURO-ZONE	SR SECURED	B+ / n.a. / B3	106.2	0.2	5.6%	-2.0%	-228	yes	360 m	100 + 1
STENA AB (STENA)	XS0287290737	EUR	5.875%	semi	01/02/2019	Euro-Non\$	SR UNSECURED	BB / n.a. / B2	110.0	1.9	3.5%	n.a.	283		102 m	50 + 1
FAURECIA (EOFP)	XS0778917814	EUR	8.750%	semi	15/06/2019	EURO MTN	SR UNSECURED	n.a. / n.a. / B3	113.7	3.9	5.6%	1.7%	116	yes	250 m	100 + 1
STENA AB (STENA)	XS0495219874	EUR	7.875%	semi	15/03/2020	Euro-Non\$	SR UNSECURED	BB / n.a. / B2	119.3	1.6	4.1%	n.a.	320		200 m	50 + 1
BOPARAN FINANCE PLC (BOPRLN)	XS0616393145	GBP	9.875%	semi	30/04/2018	Euro-Non\$	COMPANY GUARNT	B+ / n.a. / B1	108.1	0.7	7.5%	0.3%	-19	yes	400 m	100 + 1
HCA INC (HCA)	US404119AP45	USD	6.375%	semi	15/01/2015	GLOBAL	SR UNSECURED	B- / BB- / B3	103.8	2.3	0.2%	n.a.	-14		750 m	1 + 1
MGM RESORTS INTL (MGM)	US552953AR22	USD	6.625%	semi	15/07/2015	GLOBAL	COMPANY GUARNT	B+ / B+ / B3	106.2	2.4	1.1%	n.a.	54		875 m	1 + 1
MGM RESORTS INTL (MGM)	US552953AY72	USD	6.875%	semi	01/04/2016	GLOBAL	COMPANY GUARNT	B+ / B+ / B3	109.5	1.1	1.6%	n.a.	108		238 m	1 + 1

Expensive CCC bonds

Company	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
HAPAG-LLOYD AG (HPLGR)	XS0974356262	EUR	7.750%	semi	01/10/2018	EURO MTN	SR UNSECURED	B- / n.a. / Caa1	107.7	2.8	5.7%	4.6%	417	yes	400 m	100 + 1

Sell list

Sell recommendations

Company	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
EDP FINANCE BV (ELEPOR)	CH0197841551	CHF	4.000%	annu	29/11/2018	EURO MTN	SR UNSECURED	BB+ / BBB- / Ba1	109.2	2.0	1.9%	n.a.	159		125 m	5 + 5
AIR BERLIN PLC (AIRBR)	XS1051723895	CHF	5.625%	semi	09/05/2019	Euro-Non\$	SR UNSECURED	n.a. / n.a. / n.a.	99.7	0.3	5.7%	n.a.	544	yes	100 m	5 + 5
EDP FINANCE BV (ELEPOR)	XS0831842645	EUR	5.750%	annu	21/09/2017	EURO MTN	SR UNSECURED	BB+ / BBB- / Ba1	112.0	3.9	2.0%	n.a.	146		750 m	100 + 1
AIR BERLIN PLC (AIRBR)	DE000AB100B4	EUR	8.250%	quart	19/04/2018	EURO MTN	SR UNSECURED	n.a. / n.a. / n.a.	104.6	0.9	6.9%	n.a.	646		225 m	1 + 1
EDP FINANCE BV (ELEPOR)	XS1057345651	EUR	2.625%	annu	15/04/2019	EURO MTN	SR UNSECURED	BB+ / BBB-e / Ba1	100.3	0.3	2.6%	n.a.	181		650 m	100 + 1
AIR BERLIN PLC (AIRBR)	XS1051719786	EUR	6.750%	semi	09/05/2019	Euro-Non\$	SR UNSECURED	n.a. / n.a. / n.a.	100.0	0.3	6.8%	8.2%	609	yes	170 m	1 + 1
EDP FINANCE BV (ELEPOR)	XS0223447227	EUR	4.125%	annu	29/06/2020	EURO MTN	SR UNSECURED	BB+ / BBB- / Ba1	108.3	3.8	2.6%	n.a.	165		300 m	1 + 1
EDP FINANCE BV (ELEPOR)	XS0970695572	EUR	4.875%	annu	14/09/2020	EURO MTN	SR UNSECURED	BB+ / BBB- / Ba1	112.3	3.4	2.7%	n.a.	169		750 m	100 + 1
EDP FINANCE BV (ELEPOR)	XS0995380580	EUR	4.125%	annu	20/01/2021	EURO MTN	SR UNSECURED	BB+ / BBB- / Ba1	107.2	1.4	2.9%	n.a.	184		600 m	100 + 1
EDP FINANCE BV (ELEPOR)	XS0152784715	GBP	6.625%	annu	09/08/2017	EURO MTN	SR UNSECURED	BB+ / BBB- / Ba1	112.1	5.3	2.6%	n.a.	102		200 m	1 + 1
EDP FINANCE BV (ELEPOR)	XS0397015537	GBP	8.625%	annu	04/01/2024	EURO MTN	SR UNSECURED	BB+ / BBB- / Ba1	126.3	3.4	5.1%	n.a.	233		325 m	50 + 50
EDP FINANCE BV (ELEPOR)	US26835PAB67	USD	6.000%	semi	02/02/2018	PRIV PLACEMENT	SR UNSECURED	BB+ / BBB- / Ba1	110.1	1.9	3.1%	n.a.	190		1,000 m	100 + 1
EDP FINANCE BV (ELEPOR)	XS0328781728	USD	6.000%	semi	02/02/2018	EURO-DOLLAR	SR UNSECURED	BB+ / BBB- / Ba1	109.9	1.9	3.1%	n.a.	197		1,000 m	100 + 1
EDP FINANCE BV (ELEPOR)	US26835PAC41	USD	4.900%	semi	01/10/2019	PRIV PLACEMENT	SR UNSECURED	BB+ / BBB- / Ba1	105.7	0.8	3.7%	n.a.	199		1,000 m	100 + 1
EDP FINANCE BV (ELEPOR)	XS0454935395	USD	4.900%	semi	01/10/2019	EURO-DOLLAR	SR UNSECURED	BB+ / BBB- / Ba1	105.4	0.8	3.8%	n.a.	204		1,000 m	100 + 1
EDP FINANCE BV (ELEPOR)	XS1014868779	USD	5.250%	semi	14/01/2021	EURO-DOLLAR	SR UNSECURED	BB+ / BBB- / Ba1	105.8	1.9	4.2%	n.a.	217		750 m	200 + 1

Changes to recommendation

This page shows the recommendation changes compared to the previous edition of the High Yield Bond List, while the reasons for changes include valuation, technical factors, and/or fundamentals

Downgrades and withdrawals							
Type	Prior	New	ISIN	Issuer (Ticker)	Ccy	Cpn	Maturity
Downgrade	attractive	fair	US780153AU63	ROYAL CARIBBEAN CRUISES (RCL)	USD	5.250%	15/11/2022

RbA Themes

Theme: Rising Stars



Publications

Rising stars – issuer and bond list update	17/04/2014
Wendel on the path to investment grade	16/04/2014
When giants come together: Lafarge and Holcim	07/04/2014
Fortescue Metals Group: Iron ore within comfort zone	17/03/2014
Rising Stars	12/02/2014

At a glance

- We expect a gradual improvement of credit quality in the corporate sector, which could lead to some high-yield-rated issuers being upgraded to investment grade (these issuers are referred to as 'rising stars').
- Our historical analysis shows that the transition from HY to IG is often associated with powerful technical pressure and material spread tightening.
- For investors able to hold cross-over credit, we recommend adding potential rising stars to their diversified portfolios.

Rising Star candidates	S&P	Ratings Fitch	Moody's
BARRY CALLEBAUT	BB+ (negative)	n.a.	Ba1 (stable)
CNH INDUSTRIAL	BB+ (stable)	n.a.	Ba1 (stable)
FMG RESOURCES	BB (positive)	BB+ (stable)	Ba1 (stable)
FRESENIUS MEDICAL CARE	BB+ (positive)	BB+ (positive)	Ba1 (stable)
FRESENIUS SE	BB+ (positive)	BB+ (positive)	Ba1 (negative)
GKN PLC	BB+ (positive)	BBB- (stable)	Ba1 (positive)
JAGUAR LAND ROVER	BB (stable)	BB- (stable)	Ba2 (stable)
LAFARGE	BB+ (positive)	BB+ (watch +)	Ba1 (watch +)
RENAULT	BB+ (stable)	BB+ (positive)	Ba1 (stable)
WENDEL	BB+ (stable)	n.a.	n.a.
WYNN RESORTS	BB+ (stable)	BB (stable)	Ba1 (stable)

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
RENAULT SA (RENAUL)	FR0011568963	EUR	3.625%	annu	19/09/2018	EURO MTN	SR UNSECURED	BB+ / BB+ / Ba1	106.6	2.4	2.0%	n.a.	131		900 m	1 + 1
FRESENIUS FINANCE BV (FREGR)	XS1013954646	EUR	2.375%	semi	01/02/2019	EURO-ZONE	SR UNSECURED	BB+ / BB+ / Ba1	103.1	0.8	1.7%	n.a.	92		300 m	1 + 1
WENDEL SA (MWDP)	FR0011321256	EUR	5.875%	annu	17/09/2019	EURO-ZONE	SR UNSECURED	BB+ / n.a. / n.a.	117.4	4.0	2.3%	n.a.	147		600 m	100 + 100
FRESENIUS FINANCE BV (FREGR)	XS0873432511	EUR	2.875%	semi	15/07/2020	EURO-ZONE	COMPANY GUARNT	BB+ / BB+ / Ba1	105.0	1.0	2.0%	n.a.	100		500 m	1 + 1
LAFARGE SA (LGFP)	XS0975113498	EUR	4.750%	annu	30/09/2020	EURO MTN	SR UNSECURED	BB+ / BB+ / Ba1	112.3	3.0	2.6%	n.a.	157		750 m	100 + 1
WENDEL SA (MWDP)	FR0011694496	EUR	3.750%	annu	21/01/2021	EURO-ZONE	SR UNSECURED	BB+ / n.a. / n.a.	106.0	1.2	2.8%	n.a.	165		400 m	100 + 100
GKN HOLDINGS PLC (GKNLN)	XS0103214762	GBP	6.750%	annu	28/10/2019	Euro-Non\$	SR UNSECURED	BB+ / BBB- / Ba1	117.1	3.8	3.2%	n.a.	108		350 m	1 + 1
JAGUAR LAND ROVER AUTOMO (TTMTIN)	XS0765386627	GBP	8.250%	semi	15/03/2020	Euro-Non\$	COMPANY GUARNT	BB / BB- / Ba2	113.1	1.5	5.6%	3.0%	185	yes	500 m	100 + 1
JAGUAR LAND ROVER AUTOMO (TTMTIN)	XS1025866119	GBP	5.000%	semi	15/02/2022	Euro-Non\$	COMPANY GUARNT	BB / BB- / Ba2	102.7	1.6	4.6%	n.a.	207		400 m	100 + 1
GKN HOLDINGS PLC (GKNLN)	XS0830978259	GBP	5.375%	semi	19/09/2022	EURO MTN	SR UNSECURED	BB+ / BBB- / Ba1	110.6	0.9	3.9%	n.a.	129		450 m	100 + 1
FMG RESOURCES AUG 2006 (FMGAU)	USQ3919KAE12	USD	6.000%	semi	01/04/2017	EURO-DOLLAR	COMPANY GUARNT	BB- / BB+ / Ba2	105.4	0.9	4.0%	3.0%	245	yes	1,000 m	2 + 1
CASE NEW HOLLAND INDUSTR (CNH)	US147446AR91	USD	7.875%	semi	01/12/2017	GLOBAL	COMPANY GUARNT	BB+ / n.a. / Ba1	118.0	3.7	2.5%	n.a.	137		1,498 m	2 + 1
CNH CAPITAL LLC (CNH)	US12623EAF88	USD	3.625%	semi	15/04/2018	GLOBAL	COMPANY GUARNT	BB / n.a. / Ba1	103.4	0.4	2.7%	n.a.	143		600 m	2 + 1
FMG RESOURCES AUG 2006 (FMGAU)	USQ3919KAD39	USD	8.250%	semi	01/11/2019	EURO-DOLLAR	COMPANY GUARNT	BB- / BB+ / Ba2	110.4	0.5	6.0%	3.6%	304	yes	1,500 m	2 + 1
FRESENIUS MED CARE US (FMGR)	USU31433AA03	USD	5.750%	semi	15/02/2021	EURO-DOLLAR	COMPANY GUARNT	BB+ / n.a. / Ba2	107.8	1.5	4.4%	n.a.	231		650 m	2 + 1
FRESENIUS MED CARE II (FMGR)	USU31434AC42	USD	5.875%	semi	31/01/2022	EURO-DOLLAR	COMPANY GUARNT	BB+ / n.a. / Ba2	108.0	1.8	4.6%	n.a.	233		700 m	2 + 1
WYNN LAS VEGAS LLC/CORP (WYNN)	US983130AT23	USD	5.375%	semi	15/03/2022	GLOBAL	UNSECURED	BBB- / BB+ / n.a.	104.6	1.0	4.7%	4.5%	260	yes	897 m	2 + 1
FMG RESOURCES AUG 2006 (FMGAU)	USQ3919KAF86	USD	6.875%	semi	01/04/2022	EURO-DOLLAR	COMPANY GUARNT	BB- / BB+ / Ba2	106.9	1.0	5.8%	5.3%	450	yes	1,000 m	2 + 1
JAGUAR LAND ROVER AUTOMO (TTMTIN)	USG50027AE42	USD	5.625%	semi	01/02/2023	EURO-DOLLAR	COMPANY GUARNT	BB / BB- / Ba2	105.6	1.7	4.8%	4.7%	281	yes	500 m	150 + 1
BARRY CALLEBAUT SVCS NV (BARY)	BE6254003252	USD	5.500%	semi	15/06/2023	EURO-DOLLAR	COMPANY GUARNT	BB+ / n.a. / Ba1	106.2	2.4	4.6%	n.a.	213		400 m	200 + 1

Sector: Automotives



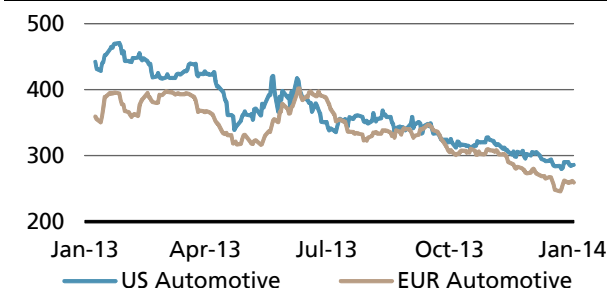
Sector description

The auto industry is heavily dependent on the state of the economy and is driven by discretionary income and consumer sentiment, making it highly cyclical. Automobile manufacturers (OEMs) rely on attracting consumers' interest through design, performance, and technological features. Maintaining a young portfolio is important for profitability, as margins typically peak in the first couple of years after the launch of a new model. The industry continues to be shaped by consumer trends and government policies (fiscal and environmental), with high oil prices and tax incentives for lower CO2 emission vehicles steering consumer demand toward smaller, more fuel-efficient cars.

Performance and sector outlook

In recent years, the markets showing the greatest level of growth have been the emerging markets, including Latin America, Asia, and especially China – a trend that is set to continue as penetration is still reasonably low. While the European market is still in retreat, with a 3.6% fall in unit sales expected for 2013, the US market has enjoyed a gradual recovery since 2009, with 4.0% growth expected for 2013. For 2014, we are expecting Europe to return to modest growth of around 2% and global automotive unit sales to grow approximately 3.5%.

OAS for the automotives sector



Source: Barclays, UBS, as of October 2013

Retail-Automobile: ASTON MARTIN (B, negative / n.a. / B3, negative)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Aston Martin is a privately owned manufacturer of luxury sports cars. Founded 100 years ago, the UK-based company's current range of vehicles includes the Vantage, DB7, Rapide, Vanquish and Zagato. It was acquired by Ford in 1994 and sold to private investors in 2007. In 2012, the Italian private equity fund Investindustrial made a GBP 150m capital investment in Aston Martin in exchange for a 37.5% stake.

Investment case

- UK manufacturer of iconic, branded and exclusive luxury sports cars.
- Has a growing pipeline of models to maintain volume growth, supported through technical partnerships.
- Proposed a plan to enter into a technical partnership with Mercedes-AMG, which would allow it to access important resources from Mercedes Benz and Mercedes-AMG, including bespoke V8 engines and electric/electronic architecture.
- Recent capital investment of GBP 150m from Investindustrial provided a much needed liquidity cushion as well as funds to develop the company's product base.

Key Risks

- Small player; highly dependent on a small range of models.
- Risk of pronounced cyclicity due to the company's limited geographic diversification and small network of 147 dealerships (as at 31 December 2012).
- Limited ability to develop new models without the help of technical partnerships and additional investment from financial sponsors.
- Dependent on a limited number of key suppliers, including Ford for V8 and V12 engines.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
ASTON MARTIN CAPITAL LTD (ASTONM)	XS0637514489	GBP	9.250%	semi	15/07/2018	Euro-Non\$	fair	SR SECURED	B / n.a. / B3	107.8	3.4	7.0%	2.3%	178	yes	304 m	100 + 1

Auto/Trk Prts&Equip-Orig: FAURECIA (n.a. / n.a. / B3, stable)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Faurecia is a global automotive supplier that is majority owned by PSA, which holds 57% of the shares and 72% of the voting rights. The France based company has leading market positions in seat and exhaust systems as well as automotive exteriors and interiors. As of LTM 2H 2013 Faurecia generated EUR 17.9bn in revenues.

Investment case

- Faurecia has a strong market position with large exposure to faster growing German OEMs (38% of sales) and has been able to grow rapidly in North America and Asia.
- Geographical diversification of sales increasingly generated outside of Europe (target of 55% of sales by 2016).
- Covenants limit cash upstream to Peugeot.
- Good liquidity and ready access to the capital markets.

Key Risks

- Increasing need to grow led to larger capital expenditures and decreasing free cash flows.
- Significantly lower EBIT margin than most of its competitors and lack of significant aftermarket share or non-automotive business.
- Ongoing restructuring costs since 2009 with the risk of further acquisitions in order to grow in line with OEMs.
- Cluster risk for OEMs, which exhibit significant pricing pressure on the company.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
FAURECIA (EOFP)	XS0704870392	EUR	9.375%	semi	15/12/2016	EURO-ZONE	expensive	COMPANY GUARNT	n.a. / n.a. / Ba3	118.5	4.2	1.9%	n.a.	149		490 m	100 + 1
FAURECIA (EOFP)	XS0778917814	EUR	8.750%	semi	15/06/2019	EURO MTN	expensive	SR UNSECURED	n.a. / n.a. / B3	113.7	3.9	5.6%	1.7%	116	yes	250 m	100 + 1

Auto-Cars/Light Trucks: FIAT (BB-, stable / BB-, negative / (P)B2, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Fiat Chrysler Automobiles is an international auto group that manufactures and sells passenger cars and light commercial vehicles under the Abarth, Alfa Romeo, Fiat, Lancia, Chrysler, Dodge, Jeep and Ram brands. The group also makes and sells luxury sports cars under the Ferrari and Maserati brands and operates in the components sector through Magneti Marelli and Teksid. Founded in 1899, the Italy-based company ranks as Europe's fourth-largest automaker and is the seventh-largest automaker in the world following 100% ownership of Chrysler in January 2014.

Investment case

- Seventh largest automaker in the world following 100% ownership of Chrysler with strong market positions in core markets including Fiat in Brazil.
- Positive contributions from less cyclical luxury brands, including Ferrari and Maserati, and from the components segment mitigate weakness in Europe.
- Strong management team led by Sergio Marchionne. Full integration with Chrysler should support the business and future product development.
- Sound liquidity; the company recently renewed its EUR 2.1bn revolving credit facility and has ready access to the debt capital markets through its Global MTN program.

Key Risks

- Aging portfolio of mass market Fiat models and limited new product offerings in the near future.
- Relatively high level of industrial debt with limited scope for a reduction over the near to medium term.
- Exposure to the highly competitive small car market especially in Europe including Spain and Italy.
- Delayed integration of Chrysler could hurt earnings and growth.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
FIAT FINANCE & TRADE (FIAT)	CH0148606178	CHF	5.000%	annu	07/09/2015	EURO MTN	fair	COMPANY GUARNT	BB- / n.a. / B2	103.6	3.6	2.1%	n.a.	197		425 m	5 + 5
FIAT FINANCE & TRADE (FIAT)	CH0197841544	CHF	5.250%	annu	23/11/2016	EURO MTN	fair	COMPANY GUARNT	BB- / BB- / B2	106.6	2.7	2.5%	n.a.	239		400 m	5 + 5
FIAT FINANCE & TRADE (FIAT)	CH0225173308	CHF	4.000%	annu	22/11/2017	EURO MTN	fair	SR UNSECURED	BB- / BB- / B2	105.0	2.1	2.5%	n.a.	234		450 m	5 + 5
FIAT FINANCE & TRADE (FIAT)	XS0647263317	EUR	6.125%	annu	08/07/2014	EURO MTN	fair	COMPANY GUARNT	BB- / BB- / B2	100.6	5.4	0.4%	n.a.	7		900 m	100 + 1
FIAT FINANCE & TRADE (FIAT)	XS0451641285	EUR	7.625%	annu	15/09/2014	EURO MTN	fair	COMPANY GUARNT	BB- / BB- / B2	101.9	5.3	1.1%	n.a.	73		1,250 m	50 + 1
FIAT FINANCE & TRADE (FIAT)	XS0465889912	EUR	6.875%	annu	13/02/2015	EURO MTN	fair	COMPANY GUARNT	BB- / BB- / B2	103.5	1.9	1.8%	n.a.	136		1,500 m	50 + 1
FIAT FINANCE & TRADE (FIAT)	XS0613002368	EUR	6.375%	annu	01/04/2016	EURO MTN	fair	COMPANY GUARNT	BB- / BB- / B2	106.6	1.0	2.7%	n.a.	226		1,000 m	100 + 1
FIAT FINANCE & TRADE (FIAT)	XS0805410239	EUR	7.750%	annu	17/10/2016	EURO MTN	fair	COMPANY GUARNT	BB- / BB- / B2	110.9	4.7	2.9%	n.a.	253		1,000 m	100 + 1
FIAT FINANCE & TRADE (FIAT)	XS0764640149	EUR	7.000%	annu	23/03/2017	EURO MTN	fair	COMPANY GUARNT	BB- / BB- / B2	110.6	1.2	3.0%	n.a.	257		850 m	100 + 1

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
FIAT FINANCE NORTH AMERI (FIAT)	XS0305093311	EUR	5.625%	annu	12/06/2017	EURO MTN	attractive	COMPANY GUARNT	BB- / BB- / B2	107.3	5.4	3.1%	n.a.	262		1,000 m	50 + 50
FIAT FINANCE & TRADE (FIAT)	XS0906420574	EUR	6.625%	annu	15/03/2018	EURO MTN	attractive	COMPANY GUARNT	BB- / BB- / B2	111.1	1.3	3.4%	n.a.	287		1,250 m	100 + 1
FIAT FINANCE & TRADE (FIAT)	XS0647264398	EUR	7.375%	annu	09/07/2018	EURO MTN	attractive	COMPANY GUARNT	BB- / BB- / B2	114.2	6.5	3.6%	n.a.	296		600 m	100 + 1
FIAT FINANCE & TRADE (FIAT)	XS0953215349	EUR	6.750%	annu	14/10/2019	EURO MTN	attractive	COMPANY GUARNT	BB- / BB- / B2	113.5	4.2	3.9%	n.a.	305		1,250 m	100 + 1
FIAT FINANCE & TRADE (FIAT)	XS1048568452	EUR	4.750%	annu	22/03/2021	EURO MTN	attractive	COMPANY GUARNT	BB- / BB- / B2	104.2	0.9	4.0%	n.a.	291		1,000 m	100 + 1

Auto/Trk Prts&Equip-Repl: GESTAMP (BB, stable / n.a. / n.a.)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Gestamp is a leading automotive supplier that designs, develops and manufactures metal components for all the major OEMs. The generated EUR 5.7bn in revenues in 2012, which were derived from its four product segments: Body-in-white (66%), Chassis (16%), Mechanisms (12%) and tools and others (6%). Gestamp is partly owned (35%) by ArcelorMittal.

Investment case

- Market leader in body-in-white (welded car body without moving parts) and chassis systems in Europe and South America with relationships to all major OEMs.
- JV with Mitsui boosted liquidity through cash injection and will likely increase sales to Japanese OEMs, which only represent about 5% of revenues (Japanese OEMs have currently 22% global market share in light vehicle production).
- Relatively low exposure to raw material prices (steel 50% of sales) as 65% purchased through OEM resale programs, while the rest is passed through to customers.
- High revenue visibility as OEM rarely switch to another supplier due to prohibitive operational, technical and logistical costs.

Key Risks

- Strongly exposed to highly cyclical and competitive automotive industry with no aftermarket business; some 56% of sales derived from Western Europe (large VW exposure).
- Large investments in new production facilities weigh on cash generation resulting in negative FCFs.
- Despite the drain on cash the company keeps on paying dividends, which will likely lead to further deterioration of the company's credit metrics.
- Substitution threat from lighter materials such as aluminum or composite plastic as well as further in-housing of BIW and chassis production.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
GESTAMP FUND LUX SA (GESTAM)	XS0925126491	EUR	5.875%	semi	31/05/2020	EURO MTN	fair	SR SECURED	BB / n.a. / B1	107.3	2.9	4.5%	3.5%	318	yes	500 m	100 + 1
GESTAMP FUND LUX SA (GESTAM)	USL43253AA87	USD	5.625%	semi	31/05/2020	EURO-DOLLAR	fair	SR SECURED	BB / n.a. / B1	104.5	2.8	4.7%	4.6%	308	yes	350 m	200 + 1

Auto/Trk Prts&Equip-Orig: GKN PLC (BB+, positive / BBB-, stable / Ba1, positive)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



UK based GKN is an international engineering group that operates four major divisions. Driveline and Powder Metallurgy are part of the automotive division and account for the majority of its revenues (56%). In addition, the company is also active in the aerospace sector and supplies parts for land machines and systems. As of LTM 2013 GKN generated GBP 6.9bn in revenues and was active in 61 countries.

Investment case

- Large and well diversified product portfolio and customer base with revenue streams from automotive parts, aerospace and land systems.
- Benefits from technological leadership position in niche markets (e.g. all-wheel drive systems) and more stable aerospace division, which still shows strong backlog.
- Less exposure to Europe, which should be beneficial due to slower expected growth compared to EM and US.
- Improving margins and low leverage could support a near term rating upgrade of Moody's.

Key Risks

- Large unfunded pension deficit that has been increasing in recent years and is structurally senior to GKN bonds.
- Several acquisitions within the last couple of years have driven up leverage and M&As are still part of the company's expansion strategy.
- Higher capex and R&D is necessary in the industry to keep up with competitors and OEMs.
- Rumors about possible takeover of Spirit Aerosystems.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
GKN HOLDINGS PLC (GKNLN)	XS0103214762	GBP	6.750%	annu	28/10/2019	Euro-Non\$	attractive	SR UNSECURED	BB+ / BBB- / Ba1	117.2	3.9	3.2%	n.a.	107		350 m	1 + 1

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
GKN HOLDINGS PLC (GKNLN)	XS0830978259	GBP	5.375%	semi	19/09/2022	EURO MTN	attractive	SR UNSECURED	BB+ / BBB- / Ba1	110.7	1.0	3.9%	n.a.	129		450 m	100 + 1

Auto-Cars/Light Trucks: JAGUAR LAND ROVER (BB, stable / BB-, stable / Ba2, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Jaguar Land Rover PLC (JLR) designs, develops, manufactures and sells premium sports saloons, sports cars and all-terrain vehicles as well as related parts and accessories. The company sells its products in 170 countries worldwide through a global network of more than 2,700 dealerships. Headquartered in the United Kingdom, JLR is a wholly owned subsidiary of Tata Motors.

Investment case

- Niche company and leading manufacturer of premium vehicles with an internationally recognized portfolio of brands, including Jaguar, Range Rover and Land Rover.
- Exclusive portfolio of award-winning luxury and all-terrain vehicles that has helped drive strong and steady growth over the past five years.
- Benefits from good geographic diversification, helped by the introduction of new models and expansion into new and emerging markets. China now represents JLR's single largest market (based on unit sales).
- Product development remains a core part of its growth strategy; recent new models, including the Range Rover Evoque and Jaguar F Type, were well received.

Key Risks

- Credit ratings are constrained by a modest market position relative to the major automobile suppliers despite the company's stronger margins, low leverage and solid liquidity.
- Has embarked on a medium-term investment program to broaden its product range; this will limit free cash flow generation and could lead to a modest increase in leverage.
- Faces ongoing challenges in meeting certain emissions and fuel efficiency requirements even though it uses a leading aluminum architecture and is committed to developing lighter and more efficient vehicles.
- The timing of new product launches can result in large working capital movements that can put a strain on liquidity; these risks are, however, reduced by the age of the JLR model portfolio.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
JAGUAR LAND ROVER AUTOMO (TTMTIN)	XS0765386627	GBP	8.250%	semi	15/03/2020	Euro-Non\$	fair	COMPANY GUARNT	BB / BB- / Ba2	113.1	1.7	5.6%	2.9%	183	yes	500 m	100 + 1
JAGUAR LAND ROVER AUTOMO (TTMTIN)	XS1025866119	GBP	5.000%	semi	15/02/2022	Euro-Non\$	attractive	COMPANY GUARNT	BB / BB- / Ba2	102.9	1.6	4.5%	n.a.	206		400 m	100 + 1
JAGUAR LAND ROVER AUTOMO (TTMTIN)	USG5002FAA42	USD	4.125%	semi	15/12/2018	EURO-DOLLAR	fair	COMPANY GUARNT	BB / BB- / Ba2	104.2	1.8	3.1%	n.a.	166		700 m	200 + 1
JAGUAR LAND ROVER AUTOMO (TTMTIN)	USG50027AB03	USD	8.125%	semi	15/05/2021	EURO-DOLLAR	illiq.	COMPANY GUARNT	BB / BB- / Ba2	n.a.	0.3	n.a.	n.a.	n.a.	yes	410 m	150 + 1
JAGUAR LAND ROVER AUTOMO (TTMTIN)	USG50027AE42	USD	5.625%	semi	01/02/2023	EURO-DOLLAR	attractive	COMPANY GUARNT	BB / BB- / Ba2	105.8	1.8	4.8%	4.6%	306	yes	500 m	150 + 1

Auto-Cars/Light Trucks: PEUGEOT (B+, stable / BB-, stable / B1, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



The Peugeot group is Europe's second-largest automaker, selling more than 3.5 million vehicles worldwide annually. The group is best known for its brands Peugeot and Citroën, but the group also includes its captive finance subsidiary Banque PSA Finance, logistics provider Gefco, and parts manufacturer Faurecia. Europe remains the company's most important market, accounting for almost 60% of the 2011 automotive sales volume, although this high proportion is decreasing.

Investment case

- Strong market position as Europe's second-largest car manufacturer and largest European manufacturer of light commercial vehicles.
- Profitable captive finance business (Banque PSA Finance) and equipment business (57% of Faurecia) have mitigated weakness in the automotive business.
- Alliance with GM generates savings through joint purchasing, logistics and the development of small cars and minivans.
- Adequate liquidity and extended debt maturity profile supported by ready access to the debt capital markets.

Key Risks

- Ongoing weak operating profitability and high exposure to difficult market conditions in Europe.
- Ratings at risk of a downgrade over the next 12-18 months; although an improvement in margins and cash flow could result in a stabilization of ratings.
- A reduction on capex and development spending (to save costs) could hurt the medium-term prospects of the company.
- The European market will likely remain highly competitive and continue to suffer from overcapacity

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
BANQUE PSA FINANCE (PEUGOT)	CH0187216012	CHF	3.250%	annu	25/09/2015	EURO MTN	expensive	SR UNSECURED	BB / n.a. / Ba1	102.8	2.2	1.1%	n.a.	99		225 m	5 + 5
PEUGEOT SA (PEUGOT)	FR0010780452	EUR	8.375%	annu	15/07/2014	EURO-ZONE	fair	SR UNSECURED	B+ / BB- / B1	101.1	7.3	-0.2%	n.a.	-53		668 m	1 + 1
BANQUE PSA FINANCE (PEUGOT)	XS0730061396	EUR	6.000%	annu	16/07/2014	EURO MTN	fair	SR UNSECURED	BB / n.a. / Ba1	100.8	5.2	-0.2%	n.a.	-52		700 m	100 + 1
BANQUE PSA FINANCE (PEUGOT)	XS0578317587	EUR	3.875%	annu	14/01/2015	EURO MTN	fair	SR UNSECURED	BB / n.a. / Ba1	101.7	1.4	1.1%	n.a.	60		750 m	100 + 1
BANQUE PSA FINANCE (PEUGOT)	XS0640796032	EUR	4.000%	annu	24/06/2015	EURO MTN	fair	SR UNSECURED	BB / n.a. / Ba1	102.8	3.7	1.4%	n.a.	79		650 m	100 + 1
PEUGEOT SA (PEUGOT)	FR0010915116	EUR	5.625%	annu	29/06/2015	EURO MTN	expensive	SR UNSECURED	B+ / BB- / B1	104.5	5.1	1.4%	n.a.	88		460 m	1 + 1
BANQUE PSA FINANCE (PEUGOT)	XS0798333802	EUR	4.875%	annu	25/09/2015	EURO MTN	fair	SR UNSECURED	BB / n.a. / Ba1	104.5	3.3	1.4%	n.a.	91		600 m	1 + 1
BANQUE PSA FINANCE (PEUGOT)	XS0594299066	EUR	4.250%	annu	25/02/2016	EURO MTN	fair	SR UNSECURED	BB / n.a. / Ba1	104.5	1.1	1.6%	n.a.	121		1,000 m	100 + 1
PEUGEOT SA (PEUGOT)	FR0011124544	EUR	6.875%	annu	30/03/2016	EURO MTN	fair	SR UNSECURED	B+ / n.a. / B1	108.8	1.1	1.9%	n.a.	153		397 m	1 + 1
BANQUE PSA FINANCE (PEUGOT)	XS0910916666	EUR	0.625%	annu	08/04/2016	EURO MTN	fair	GOVT LIQUID GTD	AA / n.a. / Aa1	100.8	0.1	0.2%	n.a.	-19		1,200 m	1 + 1
PEUGEOT SA (PEUGOT)	FR0010957282	EUR	5.000%	annu	28/10/2016	EURO MTN	fair	SR UNSECURED	B+ / n.a. / B1	106.5	2.9	2.2%	n.a.	180		650 m	1 + 1
PEUGEOT SA (PEUGOT)	FR0011233451	EUR	5.625%	annu	11/07/2017	EURO MTN	attractive	SR UNSECURED	B+ / BB- / B1	108.8	4.9	2.6%	n.a.	215		600 m	1 + 1
PEUGEOT SA (PEUGOT)	FR0011439975	EUR	7.375%	annu	06/03/2018	EURO MTN	attractive	SR UNSECURED	B+ / BB- / B1	115.2	1.7	3.0%	n.a.	247		1,000 m	1 + 1
PEUGEOT SA (PEUGOT)	FR0011567940	EUR	6.500%	annu	18/01/2019	EURO MTN	attractive	SR UNSECURED	B+ / BB- / B1	114.2	4.5	3.2%	n.a.	243		600 m	1 + 1
GIE PSA TRESORERIE (PEUGOT)	FR0010014845	EUR	6.000%	annu	19/09/2033	EURO-ZONE	attractive	COMPANY GUARNT	B+ / BB- / B1	107.0	4.1	5.4%	n.a.	319		600 m	1 + 1
BANQUE PSA FINANCE (PEUGOT)	USF0819HE376	USD	4.375%	semi	04/04/2016	EURO-DOLLAR	fair	SR UNSECURED	BB / n.a. / Ba1	103.9	0.6	2.2%	n.a.	169		250 m	2 + 1
BANQUE PSA FINANCE (PEUGOT)	USF0819HE459	USD	5.750%	semi	04/04/2021	EURO-DOLLAR	attractive	SR UNSECURED	BB / n.a. / Ba1	108.1	0.8	4.4%	n.a.	225		250 m	2 + 1

Auto-Cars/Light Trucks: RENAULT (BB+, stable / BB+, positive / Ba1, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Renault is a France-based auto manufacturer specializing in small and medium-sized passenger cars as well as light commercial vehicles which it sells under the Renault and Dacia brands. The company sells approximately 2.5 million cars a year and is Europe's third-largest automaker behind Volkswagen and Peugeot. The French State owns a 15% stake in Renault and is its largest shareholder alongside Nissan

Investment case

- Strong market position in the small and entry level car segment supported by a relatively young vehicle portfolio relative to its peers.
- Alliance and cross-shareholding with Nissan (Renault holds a 43.4% stake in Nissan and Nissan holds 15% in Renault); 25% holding in Russian manufacturer AvtoVAZ (due to increase to 37.5% in 2014).
- Profitable captive finance business (RCI) that has supported group profitability in recent years.
- Modest financial leverage at the industrial/manufacturing level coupled with robust liquidity.

Key Risks

- Ongoing weak operating profitability within the core automotive business could put pressure on ratings although this is mitigated by low leverage and strong liquidity.
- On a standalone basis, Renault is small by global standards, but has the potential to improve its scale through the cooperation with Nissan.
- Significant exposure to the depressed European car market, which represents over 60% of annual sales. Renault's next largest market is the Americas, which represents 15% of sales.
- The European market will likely remain highly competitive and continue to suffer from overcapacity.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
RCI BANQUE SA (RENAUL)	XS0643300717	EUR	3.750%	annu	07/07/2014	EURO MTN	fair	SR UNSECURED	BBB / n.a. / Baa3	100.4	3.3	0.4%	n.a.	6		750 m	1 + 1
RENAULT SA (RENAUL)	FR0010809236	EUR	6.000%	annu	13/10/2014	EURO MTN	expensive	SR UNSECURED	BB+ / BB+ / Ba1	101.9	3.7	0.8%	n.a.	49		750 m	1 + 1
RENAULT SA (RENAUL)	FR0010916734	EUR	5.625%	annu	30/06/2015	EURO MTN	expensive	SR UNSECURED	BB+ / BB+ / Ba1	104.9	5.1	1.1%	n.a.	53		650 m	1 + 1
RENAULT SA (RENAUL)	FR0011052117	EUR	4.625%	annu	25/05/2016	EURO MTN	fair	SR UNSECURED	BB+ / BB+ / Ba1	106.3	0.0	1.4%	n.a.	101		750 m	1 + 1
RENAULT SA (RENAUL)	FR0010871541	EUR	5.625%	annu	22/03/2017	EURO MTN	fair	SR UNSECURED	BB+ / BB+ / Ba1	110.9	1.0	1.6%	n.a.	117		500 m	1 + 1
RENAULT SA (RENAUL)	FR0011321447	EUR	4.625%	annu	18/09/2017	EURO MTN	fair	SR UNSECURED	BB+ / BB+ / Ba1	109.2	3.2	1.7%	n.a.	123		850 m	1 + 1
RENAULT SA (RENAUL)	FR0011568963	EUR	3.625%	annu	19/09/2018	EURO MTN	fair	SR UNSECURED	BB+ / BB+ / Ba1	106.7	2.5	2.0%	n.a.	132		900 m	1 + 1
RENAULT SA (RENAUL)	FR0011769090	EUR	3.125%	annu	05/03/2021	EURO MTN	attractive	SR UNSECURED	BB+ / BB+ / Ba1	102.9	0.7	2.7%	n.a.	154		500 m	1 + 1
RCI BANQUE SA (RENAUL)	XS1064797126	GBP	3.000%	annu	09/05/2019	EURO MTN	n.a.	SR UNSECURED	BBB / n.a. / Baa3	101.0	0.1	2.8%	n.a.	71		250 m	1 + 1

Auto/Trk Prts&Equip-Orig: SCHAEFFLER (BB-, stable / n.a. / Ba3, stable)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Schaeffler is a leading manufacturer for rolling bearings, linear products and automotive components/systems. The company operates through its three brands INA, FAG and LuK and also holds a 46% stake in Continental AG. As of LTM 2H 2013 the company generated EUR 11bn in revenues and was active in more than 50 countries.

Investment case

- Leading manufacturer and top-three market position in both ist automotive and industrial divisions, as well as large scale and global diversification.
- Geographically diverse revenues with broad product range and sizeable exposure to the more stable aftermarket (23% of revenues).
- Managed to sizably reduce ist leverage over the past years and maintains an above-average EBIT margin.
- Schaeffler is net cash positive even on a group level if adjusted for ist stake in Continental (debt is secured by Continental stake).

Key Risks

- Company has significant debt burden especially on the holding company level, and generates limited FCF due to high capex (R&D cost) and high cash interest burden (EUR 552 m, as of LTM June 2013).
- Subject of several investigations regarding antitrust and competition law violations, for which the company took a EUR 380m provision, as of 4Q 2013.
- Most of Schaeffler's debt reduction was achieved by decreasing ist stake in Continental (from 89% in 2009 to 46%).
- Limited FCF and constrained upstream payments from the operating arm hinder further debt reduction especially on the holding level.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
SCHAEFFLER FINANCE BV (SHAEFF)	XS0741938624	EUR	7.750%	semi	15/02/2017	EURO-ZONE	fair	SR SECURED	BB- / n.a. / Ba2	114.8	2.2	2.1%	n.a.	169		800 m	100 + 1

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
SCHAEFFLER FINANCE BV (SHAEFF)	XS0923613060	EUR	4.250%	semi	15/05/2018	EURO-ZONE	fair	SR SECURED	BB- / n.a. / Ba2	104.0	0.1	3.2%	2.2%	161	yes	600 m	100 + 1
SCHAEFFLER FINANCE BV (SHAEFF)	XS1067862919	EUR	2.750%	semi	15/05/2019	EURO MTN	fair	SR SECURED	BB- / n.a. / Ba2	99.8	0.1	2.8%	3.6%	204	yes	500 m	100 + 1
SCHAEFFLER FINANCE BV (SHAEFF)	XS1067864881	EUR	3.250%	semi	15/05/2019	EURO-ZONE	attractive	COMPANY GUARNT	B / n.a. / B1	99.7	0.1	3.3%	4.2%	255	yes	500 m	100 + 1
SCHAEFFLER FINANCE BV (SHAEFF)	XS1067864022	EUR	3.500%	semi	15/05/2022	EURO MTN	fair	SR SECURED	BB- / n.a. / Ba2	100.7	0.1	3.4%	3.8%	258	yes	500 m	100 + 1
SCHAEFFLER FINANCE BV (SHAEFF)	USN77608AB82	USD	7.750%	semi	15/02/2017	EURO-DOLLAR	illiq.	SR SECURED	BB- / n.a. / Ba2	n.a.	2.2	n.a.	n.a.	n.a.		600 m	200 + 1
SCHAEFFLER FINANCE BV (SHAEFF)	USN77608AD49	USD	4.750%	semi	15/05/2021	EURO-DOLLAR	illiq.	SR SECURED	BB- / n.a. / Ba2	n.a.	0.2	n.a.	n.a.	n.a.	yes	850 m	200 + 1
SCHAEFFLER FINANCE BV (SHAEFF)	USN77608AG79	USD	4.250%	semi	15/05/2021	EURO MTN	fair	SR SECURED	BB- / n.a. / Ba2	99.9	0.2	4.3%	4.9%	212	yes	700 m	200 + 1

Auto/Trk Prts&Equip-Orig: TRW (n.a. / BBB-, stable / n.a.)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



TRW is a global automotive supplier headquartered in Livonia, MI US. The company is divided into four divisions: Chassis Systems, Occupant Safety Systems, Electronics and Automotive Components. It has a leading market position in active and passive safety systems and components. As of LTM 2Q 2013 the company generated USD 16.7bn in revenues.

Investment case

- Large and geographically diverse automotive supplier with a leading market position in the safety product sector.
- Better growth prospects compared to other auto suppliers due to stronger customer demand for safety systems and stronger exposure to Asia and the U.S. than most of its peers.
- Sound financial profile supported by stable margins strong cash flow generation and low leverage.
- Strong liquidity position with USD 1.2bn of cash and cash equivalents and USD 1.4bn available under the company's revolving credit facility.

Key Risks

- Fairly concentrated customer base with 62% of revenues coming from its top four OEM customers (VW, Ford, Chrysler, GM).
- The company is currently conducting a share repurchase program to acquire up to USD 1bn worth of common stock, which will reduce the prospect of significant near term debt reduction.
- Ongoing antitrust investigation from European and U.S. authorities, which could lead to substantial fines.
- Opportunistic debt funded acquisitions could result in an increase in leverage.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
TRW AUTOMOTIVE INC (TRW)	USU55440AB44	USD	7.250%	semi	15/03/2017	EURO-DOLLAR	illiq.	COMPANY GUARNT	BBB- / BBB- / Ba1	n.a.	1.5	n.a.	n.a.	n.a.		441 m	100 + 1
TRW AUTOMOTIVE INC (TRW)	USU55440AE82	USD	4.500%	semi	01/03/2021	EURO-DOLLAR	illiq.	COMPANY GUARNT	BBB- / BBB- / Ba1	n.a.	1.1	n.a.	n.a.	n.a.		400 m	2 + 1
TRW AUTOMOTIVE INC (TRW)	USU55440AF57	USD	4.450%	semi	01/12/2023	EURO-DOLLAR	illiq.	COMPANY GUARNT	BBB- / BBB- / Ba1	n.a.	2.3	n.a.	n.a.	n.a.		400 m	2 + 1

Sector: Chemicals



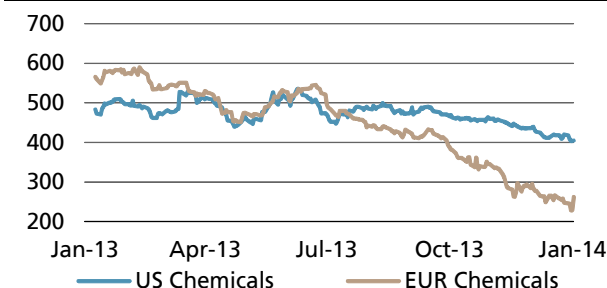
Sector description

Chemical companies comprise a relatively smaller portion (<10%) of the petrochemical value chain but cater to diversified end markets. The players have little control over raw material costs and margins are driven by demand environment. Therefore, the industry tends to be highly cyclical, especially the commodity chemicals business. Most of the industrial chemical companies produce either base chemicals (by cracking feedstock) or by processing them to some intermediate products. These intermediate products are subsequently used by industrial manufacturers to produce consumer goods.

Performance and sector outlook

Like most of the capital intensive cyclical businesses, capacity is added in the chemicals industry during growth periods and is mothballed or restructured when demand wanes. Additionally, the industry tries to orient itself towards cheaper feedstock. Since the advent of shale gas in the US and subsequent fall in gas prices, US chemicals industry has received a shot in the arm. Most of the US chemical companies now use gas as feedstock. European chemical players, on the other hand, largely use naphtha as a feedstock. Naphtha prices closely track oil prices and have remained significantly higher relative to gas. We expect European firms to grow gas based cracker exposure over the next 2-3 years but margin trends will likely follow regional pattern in 2014.

OAS for the chemicals sector



Source: Barclays, UBS, as of October 2013

Chemicals-Specialty: HUNTSMAN INTERNATIONAL (BB, negative / n.a. / Ba3, stable)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Huntsman Corporation is a diversified chemicals company with operations in 30 countries across six continents. Huntsman's business is organized into five segments: Polyurethanes, Performance Products, Advanced Materials, Pigments and Textile Effects. The company has market-leading positions in products such as MDI, amines, epoxy-polymers, surfactants and titanium dioxide (TiO2). The group is publicly listed and the Huntsman family is the largest shareholder.

Investment case

- Significant scale and geographic diversity: the group has operations spread over 30 countries and holds market-leading positions in many of its key products.
- Strengthened position in Titanium Dioxide (TiO2) business expecting a strong demand recovery: the group holds global number two position after acquiring pigments business from Rockwood
- Relatively resilient EBITDA margins despite volatility in the pigments business.
- Strong liquidity; USD 1bn in cash and availability under credit facilities as of 3Q 2013 with no significant maturities until 2017.

Key Risks

- High leverage; the group's revenues and earnings declined sharply in 2013 led by weakness in the TiO2 business which caused leverage to increase to 3.4x as of 3Q 2013 from 2.4x at the end of 2012.
- Exposure to volatile pigments business.
- Structural subordination; the group has significant secured debt ahead of both senior and subordinated notes.
- The group faces considerable operational risks related to maintaining a large number of chemical facilities and their logistics.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
HUNTSMAN INTERNATIONAL L (HUN)	XS1005409757	EUR	5.125%	semi	15/04/2021	Euro-Non\$	fair	COMPANY GUARNT	B+ / n.a. / B1	104.4	0.6	4.4%	n.a.	330		2 m	100 + 1
HUNTSMAN INTERNATIONAL L (HUN)	US44701QAU67	USD	8.625%	semi	15/03/2020	GLOBAL	fair	COMPANY GUARNT	B+ / n.a. / B2	109.9	1.7	6.5%	1.5%	101	yes	350 m	2 + 1
HUNTSMAN INTERNATIONAL L (HUN)	US44701QAZ54	USD	4.875%	semi	15/11/2020	GLOBAL	fair	COMPANY GUARNT	B+ / n.a. / B1	103.0	0.2	4.3%	4.3%	235	yes	650 m	2 + 1
HUNTSMAN INTERNATIONAL L (HUN)	US44701QAX07	USD	8.625%	semi	15/03/2021	GLOBAL	fair	COMPANY GUARNT	B+ / n.a. / B2	112.3	1.7	6.4%	2.2%	167	yes	530 m	2 + 1

Chemicals-Diversified: INEOS (B+, stable / n.a. / B3, stable)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Ineos Group is a large diversified petrochemical company engaged primarily in the olefins value chain (base chemicals and plastics) and holds leading positions in key market segments. Ineos operates three business divisions: Olefins and Polymers (O&P) Europe, O&P North America and Chemical Intermediates. The group is controlled by James A Ratcliffe (71%), Andrew Currie (14%) and John Reece (14%) through their shareholding in the issuer's ultimate parent company Ineos AG, which is incorporated in Switzerland.

Investment case

- Significant scale and geographic diversity: Ineos is one of the world's largest petrochemicals companies with leading market positions in many of its key products.
- Significant degree of vertical integration reduces supply and input cost volatility.
- US business benefits from access to cheaper natural gas feedstock.
- Improved debt maturity profile after the refinancing in May 2013 which pushed its nearest significant maturity to 2016.

Key Risks

- Cyclical business with strong competitive pressure.
- Exposure to volatile commodity prices; the group's costs and pricing are highly related to oil and gas prices.
- High leverage: net leverage has increased to 4.2x at the end of 3Q 2013 from 3.6x at the end of FY 2011, driven by weaker EBITDA.
- Possible liabilities extending beyond the issuer group, as demonstrated in the case of extending credit facility to the Grangemouth facility.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
INEOS GROUP HOLDINGS SA (INEGRP)	XS0928189777	EUR	6.500%	semi	15/08/2018	EURO-ZONE	attractive	COMPANY GUARNT	B- / n.a. / B3	105.3	1.8	5.1%	4.2%	365	yes	500 m	100 + 1
INEOS GROUP HOLDINGS SA (INEGRP)	XS0982710740	EUR	5.750%	semi	15/02/2019	EURO-ZONE	fair	COMPANY GUARNT	B- / n.a. / B3	103.7	1.6	4.9%	5.1%	415	yes	600 m	100 + 1
INEOS FINANCE PLC (INEGRP)	XS0744132936	EUR	7.250%	quart	15/02/2019	EURO MTN	fair	SR SECURED	BB- / n.a. / Ba3	105.6	0.2	5.9%	2.2%		yes	500 m	100 + 1
INEOS GROUP HOLDINGS SA (INEGRP)	USL5078PAA59	USD	6.125%	semi	15/08/2018	EURO-DOLLAR	illiq.	COMPANY GUARNT	B- / n.a. / B3	n.a.	1.7	n.a.	n.a.	n.a.	yes	678 m	200 + 1
INEOS GROUP HOLDINGS SA (INEGRP)	USL5078PAD98	USD	5.875%	semi	15/02/2019	EURO-DOLLAR	illiq.	COMPANY GUARNT	B- / n.a. / B3	n.a.	1.6	n.a.	n.a.	n.a.	yes	590 m	200 + 1
INEOS FINANCE PLC (INEGRP)	USG47965AB78	USD	8.375%	semi	15/02/2019	EURO-DOLLAR	illiq.	SR SECURED	BB- / n.a. / Ba3	n.a.	2.4	n.a.	n.a.	n.a.	yes	1,000 m	200 + 1
INEOS FINANCE PLC (INEGRP)	US44984WAE75	USD	7.500%	semi	01/05/2020	PRIV PLACEMENT	fair	SR SECURED	BB- / n.a. / Ba3	109.5	0.5	5.6%	3.0%	252	yes	775 m	70 + 1
INEOS FINANCE PLC (INEGRP)	USG47966AC35	USD	7.500%	semi	01/05/2020	EURO-DOLLAR	illiq.	SR SECURED	BB- / n.a. / Ba3	n.a.	0.5	n.a.	n.a.	n.a.	yes	775 m	70 + 1

Chemicals-Diversified: KERLING PLC (B-, develop / n.a. / Caa1, negative)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Kerling is one of the leading Western European producers of PVC, caustic soda and caustic potash as well as brine and water chemical products. The company also owns a 50% stake in Norethyl ethylene cracker in Rafnes. The group's business is split into ChlorVinyls and Enterprises divisions employing about 3,800 people. Kerling is indirectly owned by INEOS AG and is based in the United Kingdom.

Investment case

- Leading producer of PVC in Europe, with about 30% market share.
- Competitive cost base through supply agreements with parent INEOS and other major suppliers.
- Well-invested infrastructure supports strong margins and limits immediate investment requirements.
- Planned joint venture with Solvay should lower leverage and enhance scale materially.

Key Risks

- Cyclical business with strong competitive pressure: Kerling's principal output products (PVC and caustic soda) are commodity chemicals and exhibit cyclical business dynamics.
- High leverage: reported net leverage improved in 2013 but was still high at 5.6x at the end of 3Q13.
- Low free cash generation, underpinned by high debt servicing costs and subdued earnings.
- Planned joint venture with Solvay might fail due to unfavorable ruling from anti-trust authorities.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
KERLING PLC (KERLIN)	XS0480857415	EUR	10.625%	semi	01/02/2017	Euro-Non\$	fair	SR SECURED	B- / n.a. / Caa1	107.4	3.4	7.5%	-16.3%	-1,591	yes	785 m	50 + 1

Chemicals-Other: PERSTORP HOLDING AB (CCC+, stable / n.a. / Caa1, stable)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Perstorp is a Sweden-based highly diversified intermediate specialty and fine chemical manufacturer. The group mainly focuses on additives and performance-enhancing products and caters to diverse end-markets, predominantly in coatings, plastic processing and automotive industries. The group has a 130-year old history and is owned by PAI Partners (86%) and the group's management and other employees (14%) through an intermediate holding company Financière Forêt S.à.r.l.

Investment case

- Leadership position in most of ist key markets: Perstorp generates about 80% of ist sales from products where it is among the top three players.
- Resilient sales despite subdued economic conditions in ist core European market: revenues have remained largely unchanged since 2010.
- Possible deleveraging through divestment: the group sold a unit in March 2013 for SEK 1bn, and still has a number of non-interrelated small business units which can be sold independently.
- Strong sponsor involvement: Perstorp is the single largest equity investment of PAI Partners (sponsor); PAI has invested EUR 365m in the company over the past 8 years.

Key Risks

- Highly leveraged; the group had a net leverage of 8.3x as of end 2013; associated high interest expenses limit the prospect of material free cash generation.
- SEK 1.2bn of liquidity as of 4Q13 is adequate, but is subject to covenants with limited headroom.
- Intermediate chemical producer with a highly cyclical business and has limited ability to influence ist demand or profitability.
- Complex product portfolio: the group's wide range of products leaves it with no clear earnings driver.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
PERSTORP HOLDING AB (PERHOL)	XS0855179536	EUR	9.000%	semi	15/05/2017	Euro-Non\$	fair	SR SECURED	B- / n.a. / B2	110.2	0.3	5.2%	4.9%	323	yes	270 m	100 + 1
PERSTORP HOLDING AB (PERHOL)	USW64150AA84	USD	8.750%	semi	15/05/2017	EURO-DOLLAR	fair	SR SECURED	B- / n.a. / B2	109.5	0.3	5.2%	5.2%	315	yes	380 m	200 + 1
PERSTORP HOLDING AB (PERHOL)	USW64150AB67	USD	11.000%	semi	15/08/2017	EURO-DOLLAR	fair	SECURED	CCC- / n.a. / Caa2	108.0	3.1	8.1%	10.4%	607	yes	370 m	200 + 1

Chemicals-Diversified: STYROLUTION (B+, stable / n.a. / B1, stable)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Styrolution is the world's largest styrenics producer and caters to a large spectrum of end markets using high-quality heat-resistant plastics. The company was formed by combining the styrenics operations of BASF and INEOS along with the ABS operations of INEOS in 2011. The group employs about 3,200 employees across 10 countries and has a global distribution network. BASF and INEOS each own a 50% share in the Frankfurt-headquartered company.

Investment case

- Significant scale and geographic diversity: it is a leading global styrenics company with a market leadership position in many of ist key products.
- Efficient infrastructure: about 75% of the company's manufacturing facilities are positioned within the top half in terms of cost efficiency.
- Modest leverage underpinned by recent strong earnings.
- Better access to raw materials than competitors through favorable supply agreements with shareholders INEOS and BASF.

Key Risks

- Styrolution runs a cyclical commodity chemicals business and faces strong competition, which limits margin upside.
- Exposure to volatile commodity prices; the group's costs are highly related to oil and gas prices.
- Possibility of shareholder restructuring in 2014 that could trigger a deleveraging event.
- The group's renewed strategy of increasing presence in high-margin specialty products business may lead to large debt funded investments.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
STYROLUTION GROUP GMBH (STYRO)	XS0628089426	EUR	7.625%	semi	15/05/2016	EURO-ZONE	fair	SR SECURED	B+ / n.a. / B1	103.5	0.3	5.7%	-0.6%	-91	yes	480 m	100 + 1

Sector: Consumer discretionary



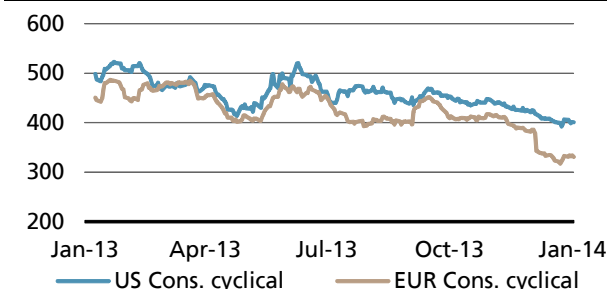
Sector description

The sector comprises a number of industries, including apparel manufacturing and retailing, luxury goods, consumer and electrical appliances, home furnishing, house wares and garden products. Overall, the sector has faced a number of challenges in recent years, including falling demand, rising input costs, and fierce competition. Together with a changing retail environment (e.g. due to a shift toward online shopping), this has created both opportunities and challenges for all.

Performance and sector outlook

Consumer balance sheets have improved (margins and leverage) with the help of cost saving initiatives and other programs to improve profitability. Consumer sentiment is either improving or set to improve (albeit modestly), which should be supportive for the sector. Regional variation, particularly within Europe, will likely remain a feature, and those companies with the greatest geographic diversification remain in a better position to mitigate the impact of a benign environment in Southern Europe.

OAS for the consumer cyclical sector



Source: Barclays, UBS, as of October 2013

Food-Catering: BRAKES CAPITAL (n.a. / n.a. / B3, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Brakes Group is a European business-to-business food distributor, with leading market positions in the UK, Ireland, Sweden and France. The company acts as a 'one stop shop' for every kind of caterer and supplies food and related products to a wide variety of customers, including restaurants, pubs, hotels, travel and leisure operators, schools, hospitals and contract caterers. The company was acquired by private equity group Bain Capital in 2007.

Investment case

- Largest food-service distributor in Europe (based on revenues), with an extensive product range and a large customer base.
- Leading market positions in core markets with joint number 1 position in the UK (19% market share), number 2 position in Sweden (13% market share) and number 3 position in France (5% market share).
- Extensive own-brand product portfolio which derives higher margins.
- Significant procurement scale and a well-established distribution network which is set to improve further.

Key Risks

- Highly fragmented and competitive industry that is characterized by low margins.
- Relatively high leverage constrains company's ability to generate meaningful free cash flow; management's medium-term leverage target is 5.0x.
- Exposed to economic and consumer trends as well volatile raw material and fuel costs.
- Ongoing debt funded acquisitions could delay deleveraging.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
BRAKES CAPITAL (BRKCAP)	XS0996480587	GBP	7.125%	semi	15/12/2018	Euro-Non\$	fair	SR SECURED	B- / n.a. / B3	102.1	3.6	6.6%	7.9%	477	yes	457 m	100 + 1

Retail-Restaurants: BURGER KING HOLDINGS (n.a. / B+, stable / n.a.)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Burger King Worldwide is the world's second-largest quick service restaurant operator after McDonalds, with a c12% market share. The company operates under a franchise model and has over 13,000 restaurants, most of which are in the US and Canada. The company is privately held by 3G Capital, which acquired it in 2010.

Investment case

- One of the world's largest quick service restaurants (QSR), which benefits from good brand recognition.
- Good geographic diversification; it operates in 89 countries.
- Franchise business model with minimal restaurant ownership that reduces business risk.
- Stable and predictable earnings supported by good balance sheet liquidity.

Key Risks

- Small relative to McDonalds (50% market share) and less well known in emerging markets.
- Highly competitive environment requires ongoing creative marketing campaigns and ongoing product/menu innovation.
- Increased store re-imaging could reduce free cash flow generation.
- Focus likely to remain on returning capital to shareholders, which could further delay deleveraging.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
BURGER KING CORP (BKC)	US121207AA29	USD	9.875%	semi	15/10/2018	GLOBAL	illiq.	COMPANY GUARNT	B+ / BB- / B3	n.a.	1.2	n.a.	n.a.	n.a.	yes	791 m	2 + 1

Theaters: CINEMARK HOLDINGS (BB-, stable / n.a. / n.a.)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Cinemark USA, Inc. is the third largest cinema chain in the US and the most geographically diverse operator in Latin America with cinemas in Brazil, Mexico, Argentina, Chile, Colombia, Peru, Ecuador, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, and Guatemala. The company was founded in 1984 and is headquartered in Texas.

Investment case

- Large scale operator and third largest cinema operator in the US with 332 theatres and 4,434 screens, plus 172 theatres and 1,360 screens in Latin America.
- Good geographic diversification within its home market through a well-positioned circuit of cinemas in 40 US states and a growing presence in 13 Latin American countries.
- State-of-the-art cinemas; digital projection technology in 100% of theatres in the US and approx. 50% in Latin America (100% planned by early 2014).
- Stable earnings even in times of economic hardship, supported by good liquidity and cash flow generation.

Key Risks

- Revenues and earnings are dependent on the strength of the films produced by the major film studios.
- Seasonal business with revenues and earnings impacted by the timings of film releases as well as other major events.
- Further debt-funded acquisitions and shareholder returns could increase leverage and also delay deleveraging, as well as putting pressure on the company's credit ratings.
- Potential for increasing competition from alternative media; we currently assess this as a low, though.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
CINEMARK USA INC (CNK)	US172441AX54	USD	5.125%	semi	15/12/2022	GLOBAL	fair	COMPANY GUARNT	BB- / n.a. / B2	101.6	2.3	4.9%	5.3%	279	yes	400 m	2 + 1
CINEMARK USA INC (CNK)	US172441AZ03	USD	4.875%	semi	01/06/2023	GLOBAL	attractive	COMPANY GUARNT	BB- / n.a. / B2	98.9	2.4	5.0%	5.7%	253	yes	530 m	2 + 1

Retail-Apparel/Shoe: EDCON PTY LTD (n.a. / n.a. / B3, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Edcon is a non-food retailer based in South Africa operating under a range of retail formats, including department stores. The company's 1,173 stores trade under the names of Edgars, Boardmans, Red Square, CAN and Jets in South Africa, Botswana, Namibia, Mozambique, Swaziland, Lesotho and Zambia. Its core Edgars format sells clothing, footwear, cosmetics, cell phones, homeware and accessories to middle to upper-income consumers.

Investment case

- Strong market position as South Africa's largest non-food retailer with a market share of approximately 27% - nearly twice that of its nearest competitor.
- Good product diversification; number-one or number-two retailer in the majority of its product lines, including clothing, footwear, cell phones, cosmetics, stationery and books.
- Good geographic diversification within South Africa, which accounts for 94% of sales.
- Nearing completion of its store refurbishment and transformation program, which also includes improving its product offering. Recent results indicate that this is already having a positive impact on operating performance.

Key Risks

- Product offering is largely discretionary; however, core middle and upper-income customer base mitigates this risk to some extent.
- The company's business is seasonal and subject to fashion fads, which collectively can put pressure on margins and working capital.
- Exposure to macroeconomic pressures that could have a negative impact on consumer sentiment and spending.
- Modest near-term refinancing needs that require addressing in the next eight months to avoid impacting the company's bank facilities and liquidity.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
EDCON PROPRIETARY LTD (EDCON)	XS0596918135	EUR	9.500%	semi	01/03/2018	Euro-Non\$	attractive	SR SECURED	B / n.a. / B3	102.0	1.9	8.9%	46.3%	802	yes	317 m	100 + 1
EDCON PROPRIETARY LTD (EDCON)	XS0888936118	EUR	9.500%	semi	01/03/2018	Euro-Non\$	attractive	SR SECURED	B / n.a. / B3	101.8	1.9	8.9%	48.3%	811	yes	300 m	100 + 1
EDCON HOLDINGS PROP LTD (EDCON)	XS0982713173	EUR	13.375%	semi	30/06/2019	Euro-Non\$	attractive	SR SECURED	CCC / n.a. / Caa2	95.3	7.2	14.7%	27.2%	1,445	yes	425 m	100 + 1

Apparel Manufacturers: HANESBRANDS (BB, stable / n.a. / Ba2, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



HanesBrands Inc. is an American clothing company that engages in designing, manufacturing, sourcing, and selling a range of basic apparel including underwear and sports wear. The company's portfolio of brands include Hanes, Champion, Bali, Playtex, Just My Size, L'eggs, Wonderbra, Gear for Sports, Zorba, Sol y Oro, and Rinbros. The company offers its products through various distribution channels, including retailers, wholesalers, and third party embellishers, as well as directly to consumers through 201 outlet stores. The company was founded in 2005 and formed from the spin off of the branded apparel business of Sara Lee Corporation.

Investment case

- Significant strength in the global apparel industry with revenues exceeding USD 4.5bn.
- Strong portfolio of brands and good product diversification.
- Leading positions in underwear that should be further strengthened through the planned acquisition of Maidenform.
- The company has relatively low exposure to European markets with over 85% of sales generated in the US.

Key Risks

- Despite its leading market positions, the company operates in a highly competitive environment, but benefits from good brand loyalty within its underwear segment.
- Historically the company has been acquisitive, though credit quality has remained stable as a result of its good cash generation.
- High customer concentration, with the company's three largest customers representing more than 50% of sales, although this is mitigated by strong relationships with the retailers.
- Exposure to raw material costs could lead to margin erosion.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
HANESBRANDS INC (HBI)	US410345AG72	USD	6.375%	semi	15/12/2020	GLOBAL	fair	COMPANY GUARNT	BB / n.a. / Ba2	109.2	2.9	4.7%	2.3%	179	yes	1,000 m	2 + 1

Apparel Manufacturers: LEVI STRAUSS (BB, stable / BB-, stable / Ba3, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Levi Strauss & Co. is a privately held American branded apparel company that was founded in 1853. Today it is one of the world's largest brandname apparel companies with annual revenues in excess of USD 4.7bn (LTM August 2013) and a global leader in jeanswear. The company designs and manufactures trousers, tops, shorts, skirts, jackets, footwear and related accessories for men, women and children, and sells its products in approximately 110 countries worldwide through a network chain of retailers, department stores, online sites, and retail stores, and shop-inshops. The company also licenses its trademarks for a range of product categories, including footwear, belts, wallets and bags, outerwear, sweaters and shirts.

Investment case

- Levi Strauss is the world's leading manufacturer of jeans and benefits from strong global brand recognition.
- The company's Dockers brand has stabilized and the company has successfully developed its new brand DeniZen.
- The company also benefits from good geographic diversification, with some 45% of its sales generated in Europe and Asia.
- A further fall in debt coupled with a sustained improvement in margins should lead to some ratings upside over time.

Key Risks

- Consumer discretionary names are exposed to economic cycles as well as raw material costs swings.
- The company is exposed to volatile commodity prices (cotton), which can have a negative impact on margins and cash flow generation.
- The company has a narrow product offering compared to its peers with roughly 80% of sales coming from the Levi brand.
- Customer diversification is also more limited compared to industry peers, with approximately 70% of the Company's products being sold to men.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
LEVI STRAUSS & CO (LEVI) Company has redeemed 50% of this issue.	XS0520235218	EUR	7.750%	semi	15/05/2018	GLOBAL	expensive	SR UNSECURED	BB / BB- / Ba3	104.7	0.3	6.4%	-4.1%	-439	yes	149 m	50 + 1
LEVI STRAUSS & CO (LEVI)	US52736RBB78	USD	7.625%	semi	15/05/2020	GLOBAL	fair	SR UNSECURED	BB / BB- / Ba3	109.2	0.3	5.8%	1.9%	137	yes	524 m	100 + 1
LEVI STRAUSS & CO (LEVI)	US52736RBD35	USD	6.875%	semi	01/05/2022	GLOBAL	illiq.	SR UNSECURED	BB / BB- / Ba3	n.a.	0.5	n.a.	n.a.	n.a.	yes	525 m	2 + 1

Diversified Operations: ODEON & UCI CINEMAS (B-, negative / n.a. / B3, negative)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Odeon and UCI Cinema Group is Europe's largest cinema operator with 239 cinemas and 2,191 screens across the UK, Germany, Italy and Spain as well as Austria, Ireland, Spain and Portugal. The company was founded in 1928 and acquired by private equity company Terra Firma in 2004 when it was merged with UCI cinemas.

Investment case

- Europe's largest cinema operator with 239 cinemas, 2,191 screens and leading market positions in the UK, Italy and Spain.
- Good geographic diversification in core markets and additional cinemas in Austria, Germany, Ireland and Portugal.
- Well-positioned state-of-the-art cinemas with 100% digital projection technology.
- Relatively stable earnings even in times of economic hardship, supported by focused marketing and customer loyalty program.

Key Risks

- Revenues and earnings dependent on the strength and success of the films produced by the major film studios.
- Seasonal business with revenues and earnings impacted by the timings of film releases, other major events and the weather.
- High leverage and limited opportunities for meaningful de-leveraging coupled with the prospect of further debt-funded acquisitions.
- Potential for increasing competition from alternative media. We currently assess this as low, though.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
ODEON & UCI FINCO PLC (ODEON)	XS0627135774	EUR	5.347%	quart	01/08/2018	Euro-Non\$	fair	SR SECURED	B- / n.a. / B3	98.7	0.4	5.7%	23.5%		yes	200 m	100 + 1
ODEON & UCI FINCO PLC (ODEON)	XS0627146383	GBP	9.000%	semi	01/08/2018	EURO MTN	fair	SR SECURED	B- / n.a. / B3	106.3	2.9	7.2%	10.5%	518	yes	300 m	100 + 1

Retail-Apparel/Shoe: PVH CORP (BB+, stable / n.a. / Ba3, positive)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



PVH Corp. is an American clothing and accessory company and the world's largest shirt producer. The company offers its products under the Calvin Klein and Tommy Hilfiger brands as well as Van Heusen, IZOD, Bass, ARROW, and Eagle; and licensed brands comprising Geoffrey Beene, Kenneth Cole, Sean John, JOE Joseph Abboud, MICHAEL Michael Kors, Michael Kors Collection, Chaps, Donald J. Trump Signature Collection, DKNY, Elie Tahari, Nautica, Ted Baker, J. Garcia, Claiborne, Robert Graham, U.S. POLO ASSN., Ike Behar, Axxess, Jones New York, and John Varvatos. PVH Corp. was founded in 1881 and is based in New York.

Investment case

- Credit quality is supported by a well diversified portfolio of leading brands including Tommy Hilfiger, Calvin Klein and Van Heusen.
- PVH benefits from a history of stable operating performance and strong cash flow generation.
- The company now has a substantial scale of operations following the acquisitions of Warnaco and Tommy Hilfiger, which should be supportive for margins and earnings stability.
- Management has a good track record of integrating large acquisitions and its commitment to debt reduction over the medium term should lead to an improvement in credit ratings.

Key Risks

- PVH operates in a highly competitive and cyclical industry and is subject to fashion risk although the strength of its brand portfolio mitigates this to some extent.
- The company's credit metrics have weakened following the leveraged acquisition of Warnaco in February 2013, although management has confirmed its eagerness to reduce debt.
- Further participation in M&A activity in the sector could lead to a delay in debt reduction, though we view this as a low risk scenario.
- Ratings pressure could arise from weaker-than-anticipated operating performance or from a material Warnaco integration issue.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
PVH CORP (PVH)	US693656AA80	USD	4.500%	semi	15/12/2022	GLOBAL	fair	SR UNSECURED	BB / n.a. / Ba3	99.0	2.0	4.6%	5.4%	221	yes	700 m	2 + 1

Retail-Mail Order: QVC (BB, stable / BB, stable / Ba2, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



QVC, Inc. is a multimedia retailer marketing and selling a variety of products through live televised shopping channels. The company sells beauty, cooking and dining, fitness, home, and music products as well as fashion, jewelry, collectibles and electronics to cable and satellite viewers at home. The US-based company was founded in 1986 and is owned by Liberty Media Corp.

Investment case

- Significant scale and global operations; shopping programs broadcast 24/7 to some 214 million households worldwide via television and multimedia.
- Good geographic diversification with operations based in the US, Japan, Germany, the United Kingdom and Italy; the company also has a 49% interest in a Chinese joint venture.
- Consistent operating performance, high customer retention rates and a good understanding of its target market.
- Strong relationships with suppliers, broadcasters and distributors, providing a competitive advantage.

Key Risks

- Seasonal business with approximately 32% of revenues reported in Q4 and approximately 22-23% in each of the remaining quarters.
- The company's product offering is typically discretionary in nature and thus vulnerable to downturns in consumer spending.
- Dividend payments to the company's parent Liberty Media Corporation will likely limit the company's ability to significantly reduce leverage over the near to medium term.
- Highly competitive operating environment that is vulnerable to technological shifts; we note, however, that the company's e-commerce platform continues to grow in each of QVC's markets.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
QVC INC (QVCN)	USU74900AA64	USD	7.500%	semi	01/10/2019	EURO-DOLLAR	illiq.	SR SECURED	BBB- / BBB- / Ba2	n.a.	1.2	n.a.	n.a.	n.a.	yes	769 m	1 + 1
QVC INC (QVCN)	USU74900AC21	USD	7.375%	semi	15/10/2020	EURO-DOLLAR	illiq.	SR SECURED	BBB- / BBB- / Ba2	n.a.	0.9	n.a.	n.a.	n.a.	yes	500 m	2 + 1
QVC INC (QVCN)	US747262AH67	USD	5.125%	semi	02/07/2022	GLOBAL	fair	SR SECURED	BBB- / BBB- / Ba2	106.1	2.1	4.2%	n.a.	187		499 m	2 + 1
QVC INC (QVCN)	US747262AK96	USD	4.375%	semi	15/03/2023	GLOBAL	illiq.	SR SECURED	BBB- / BBB- / Ba2	n.a.	0.9	n.a.	n.a.	n.a.		750 m	2 + 1

Consumer Products-Misc: SPECTRUM BRANDS (B+, stable / n.a. / B3, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Spectrum Brands is a US-based consumer products company that specializes in household goods. The company's portfolio of brands includes Rayovac, VARTA, Remington, Tetra, 8-in-1, Dingo, Nature's Miracle, Spectracide, Cutter, Hot Shot, Black & Decker, George Foreman, Russell Hobbs and various other brands.

Investment case

- Good diversified portfolio of branded products across a range of consumer categories, including batteries, personal care appliances, electrical appliances, pet supplies, and home and garden products.
- Top three global market positions in all product categories, with products benefitting from modest price points.
- Good geographic diversification with presence on six continents and products sold in approximately 140 countries worldwide.
- Proven management team and strong relationships with major retailers globally.

Key Risks

- Strong competition from bigger and financially stronger companies in certain categories, although Spectrum's broad diversification affords it some protection.
- High leverage as a result of a number of debt-financed acquisitions, although management has a stated leverage target range of 2.5x-3.5x.
- Weaker bands relative to peers could result in loss of market share and margin erosion.
- Potential for increased leverage as a result of a move to more shareholder-friendly policies.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
SPECTRUM BRANDS INC (SPB)	US84762LAL99	USD	6.750%	semi	15/03/2020	GLOBAL	illiq.	COMPANY GUARNT	B / BB- / B3	n.a.	1.4	n.a.	n.a.	n.a.	yes	300 m	2 + 1
SPECTRUM BRANDS INC (SPB)	US84762LAN55	USD	6.375%	semi	15/11/2020	GLOBAL	fair	COMPANY GUARNT	B / BB- / B3	109.1	0.2	4.7%	3.7%	301	yes	520 m	2 + 1
SPECTRUM BRANDS INC (SPB)	US84762LAQ86	USD	6.625%	semi	15/11/2022	GLOBAL	illiq.	COMPANY GUARNT	B / BB- / B3	n.a.	0.2	n.a.	n.a.	n.a.	yes	570 m	2 + 1

Theaters: VOUGEOT BIDCO PLC (B, stable / n.a. / B2, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Vue Entertainment is Europe's second-largest cinema operator with a presence in the UK, Denmark, Germany, Ireland, Latvia, Lithuania, Poland, Portugal and Taiwan. The company acquired German-based CinemaxX in 2012 and Polish operator Multikino in 2013. The company is jointly owned by Omers Private Equity and Alberta Investment Management Corporation, having been acquired from Doughty Hanson in 2013.

Investment case

- Europe's second-largest cinema operator with 149 cinemas and 1,348 screens located across nine countries including the UK, Germany, Ireland and Poland.
- Leading position in the UK (no. 3 after Odeon and Cineworld) supported by a portfolio of well positioned fully digitized cinemas.
- Strong operation knowledge and proven track record of successfully identifying and integrating acquisitions, which has allowed company to enter new and less developed European markets.
- Stable earnings even in times of economic hardship, supported by good liquidity and cash flow generation.

Key Risks

- Revenues and earnings dependent on the strength and success of the films produced by the major film studios.
- Seasonal business with revenues and earnings impacted by the timing of film releases as well as other major events.
- Further debt-funded acquisitions and shareholder returns could increase leverage and also delay deleveraging, as well as putting pressure on the company's credit ratings.
- Potential for increasing competition from alternative media. We currently assess this as low, though.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
VOUGEOT BIDCO PLC (VUECIN)	XS0953085627	EUR	5.578%	quart	15/07/2020	Euro-Non\$	fair	COMPANY GUARNT	B / n.a. / B2	101.6	0.6	5.3%	0.6%		yes	290 m	100 + 1
VOUGEOT BIDCO PLC (VUECIN)	XS0953085114	GBP	7.875%	semi	15/07/2020	Euro-Non\$	fair	COMPANY GUARNT	B / n.a. / B2	109.5	2.5	6.0%	4.9%	371	yes	300 m	100 + 1

Sector: Consumer staples



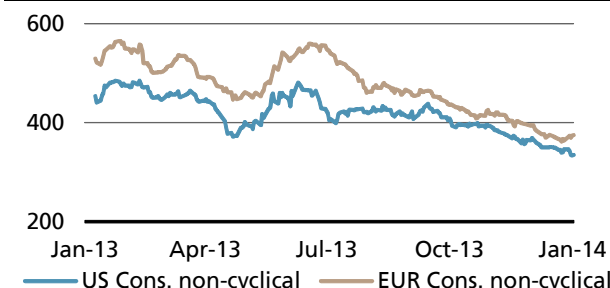
Sector description

Food and beverage companies together with food retailers and pharmacies are the main components of this sector. Often seen as a safe haven, this sector is not without its risks and challenges. Strong competition continues to be fuelled by the ever-vigilant consumer. The weather, as unpredictable as it is, adds a layer of risk, impacting both seasonal demand and input costs, such as food and crop prices. The strength of brands is a key consideration and often affords some protection in a highly competitive market. Good geographic diversification mitigates the impact of regional economic weaknesses.

Performance and sector outlook

Consumer balance sheets have improved (margins and leverage) with the help of cost saving initiatives and other programs to improve profitability. Sector competition is set to remain high, and companies with pricing power and strong branded products should remain better positioned to compete. The companies with the greatest geographic diversification should remain better positioned to mitigate the impact of regional weaknesses across Europe.

OAS for the consumer non-cyclicals sector



Source: Barclays, UBS, as of October 2013

Security Services: ADT CORP. (BB-, stable / BBB-, stable / Ba2, stable)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



ADT is a leading provider of electronic security, interactive automation and monitoring services. After being acquired by Tyco International in 1997, ADT was spun-off again in September 2012. As of now ADT operates only in the residential and small business security segment in the US and Canada as defined under a no-compete agreement with Tyco. The company has approximately 6.5m customers and generated about USD 3.3bn in revenues in 2013.

Investment case

- Largest provider of electronic security and monitoring services for residential properties and small businesses in the US and Canada with strong brand recognition.
- Large and diverse customer base with long multi-year contracts resulting in a high proportion of recurring revenues (92%).
- No-compete contract with Tyco (ADT's former owner) expires in September 2014, which allows ADT to expand into all business segments (medium business/fire security).
- Relatively healthy liquidity with USD 367m in free cash flow generation, USD 80m in cash and USD 525m available under the RCF.

Key Risks

- Highly fragmented and competitive industry with low barriers to entry.
- Stronger competition from telecommunication companies especially in the remote monitoring and home automation market.
- Management increased target leverage for the company to 3.0x, which is the second increase since the spin-off (from 1.5 to 2.0x in Nov. 2012).
- Very shareholder friendly policy with agreed share buybacks of USD 3bn of which 2.4bn have been repurchased as of January 2013.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
ADT CORP (ADT)	US00101JAE64	USD	2.250%	semi	15/07/2017	GLOBAL	fair	SR UNSECURED	BB- / BBB- / Ba2	99.7	0.8	2.3%	n.a.	140		748 m	2 + 1
ADT CORP (ADT)	US00101JAL08	USD	4.125%	semi	15/04/2019	GLOBAL	fair	SR UNSECURED	BB- / BBB- / Ba2	100.8	0.8	3.9%	n.a.	235		500 m	2 + 1
ADT CORP (ADT)	USU0072PAE44	USD	6.250%	semi	15/10/2021	EURO-DOLLAR	illiq.	SR UNSECURED	BB- / BBB- / Ba2	n.a.	0.7	n.a.	n.a.	n.a.		0 m	2 + 1
ADT CORP (ADT)	US00101JAF30	USD	3.500%	semi	15/07/2022	GLOBAL	fair	SR UNSECURED	BB- / BBB- / Ba2	92.2	1.3	4.7%	n.a.	230		1,000 m	2 + 1
ADT CORP (ADT)	US00101JAH95	USD	4.125%	semi	15/06/2023	GLOBAL	fair	SR UNSECURED	BB- / BBB- / Ba2	94.1	1.9	4.9%	n.a.	243		700 m	2 + 1
ADT CORP (ADT)	US00101JAG13	USD	4.875%	semi	15/07/2042	GLOBAL	fair	SR UNSECURED	BB- / BBB- / Ba2	85.4	1.8	6.0%	n.a.	261		749 m	2 + 1

Food-Misc/Diversified: AGROKOR DD (B, stable / n.a. / B2, watch -)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Privately held Agrokor is a leading food producer and retailer serving Central and Eastern Europe. The company's primary markets include Croatia, Serbia and Bosnia and Herzegovina and the company also sells products into Hungary, Macedonia, Montenegro and Slovenia. More recently the company agreed to acquire a majority stake in Mercator, the largest food retailer in Slovenia. The company plans to fund the acquisition (expected to close by end of Q1 2014) entirely from equity via a capital increase.

Investment case

- Leading food producer and retailer serving Central and Eastern Europe with extensive coverage in the Adriatic region.
- Vertically integrated food company; operations range from agriculture through to food manufacturing, supported by a diverse portfolio of leading brands and products.
- Largest supermarket operator in Croatia, including a portfolio of multi-format retail stores and an extensive distribution network, relevant given the region's topography.
- Strong, stable and consistent financial performance and a prudent approach to acquisition funding.

Key Risks

- The company's planned acquisition of a majority (53%) stake in Slovenian food retailer Mercator is likely to increase initial leverage given Mercator's lower profitability and high level of debt.
- While the Mercator acquisition has been structured to avoid affecting Agrokor's debt leverage, a longer term deterioration of consolidated margins could pressure the company's credit ratings.
- Upon completion of the Mercator stake acquisition Agrokor will likely be required make a mandatory bid for the remaining shares of Mercator.
- The significant size of this acquisition increases the level of integration risk.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
AGROKOR D.D (AGROK)	XS0776111188	EUR	9.875%	semi	01/05/2019	Euro-Non\$	fair	COMPANY GUARNT	B / n.a. / B2	113.4	0.7	6.6%	3.0%	244	yes	300 m	100 + 1
AGROKOR D.D (AGROK)	XS0836495183	EUR	9.125%	semi	01/02/2020	EURO MTN	fair	COMPANY GUARNT	B / n.a. / B2	114.2	2.9	6.1%	4.2%	381	yes	325 m	100 + 1
AGROKOR D.D (AGROK)	USX0027KAG32	USD	8.875%	semi	01/02/2020	EURO-DOLLAR	attractive	COMPANY GUARNT	B / n.a. / B2	112.7	2.9	6.2%	4.7%	420	yes	300 m	200 + 1

Food-Misc/Diversified: BAKKAVOR GROUP LIMITED (B-, stable / n.a. / B2, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



UK-based producer of own-label fresh prepared food products to all the major grocery retailers with a 30% market share. The company benefits from long and established relationships with its key customers who include Tesco, Marks & Spencer, Sainsbury's, Waitrose, Asda and Morrisons. Products include ready meals, pizzas, desserts, leafy salads, convenience salads, specialty breads, dips, soups, sauces, prepared fruit, prepared vegetables, sandwiches and wraps.

Investment case

- UK's leading supplier of fresh prepared foods to the UK's supermarket industry with a near 30% market share.
- Strong and long-standing relationships with core customers that extend to product development and innovation.
- Development of "in-house" brands represents a growth opportunity for higher margin products.
- Well invested production facilities and track record of divesting underperforming operations.

Key Risks

- High geographic and customer concentration - top five customers represent some 80% of sales.
- Strong competition in the food retail industry and limited pricing power diminish opportunities to reduce debt over the near to medium term.
- Raw material price volatility, the seasonal nature of certain products and external factors such as the weather can impact operating performance.
- Leverage remains high and margins remain low, limiting the potential for meaningful debt reduction.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
BAKKAVOR FINANCE 2 PLC (BAKKA)	XS0586332834	GBP	8.250%	semi	15/02/2018	Euro-Non\$	fair	SR SECURED	B- / n.a. / B2	107.5	2.3	6.0%	3.2%	245	yes	332 m	100 + 1
BAKKAVOR FINANCE 2 PLC (BAKKA)	XS0942508549	GBP	8.750%	semi	15/06/2020	Euro-Non\$	attractive	SR SECURED	B- / n.a. / B2	112.8	3.9	6.2%	5.2%	402	yes	150 m	100 + 1

Food-Confectionery: BARRY CALLEBAUT (BB+, negative / n.a. / Ba1, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Barry Callebaut is the world's leading manufacturer of high-quality chocolate and cocoa products and serves customers in the food industry globally. The company boasts a fully integrated business model, sourcing and processing cocoa beans through to producing fine chocolates, including fillings, decorations and compounds.

Investment case

- World's largest global sourcer and processor of cocoa.
- Recent acquisition of Petra Food's cocoa business extends the company's industry leadership.
- High-quality customers and long-term strategic partners that include Nestle, Cadbury Schweppes, Hershey's, Unilever.
- Good geographic diversification and globally balanced sourcing following the Petra acquisition.

Key Risks

- Overall group profitability weakened after consolidating the Petra acquisition, although management has identified synergies and plans to restore profitability
- Supply disruption in politically less stable countries mitigated by measures to diversify sourcing to Asia and Latin America.
- Further debt-financed acquisitions could delay deleveraging plans.
- Commodity price volatility could lead to margin pressure.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
BARRY CALLEBAUT SVCS NV (BARY)	BE0933072291	EUR	6.000%	annu	13/07/2017	EURO-ZONE	fair	COMPANY GUARNT	BB+ / n.a. / Ba1	113.4	5.2	1.6%	n.a.	108		350 m	50 + 1
BARRY CALLEBAUT SVCS NV (BARY)	BE6222320614	EUR	5.625%	annu	15/06/2021	EURO-ZONE	fair	COMPANY GUARNT	BB+ / n.a. / Ba1	115.7	5.3	3.1%	n.a.	195		250 m	100 + 1
BARRY CALLEBAUT SVCS NV (BARY)	BE6254003252	USD	5.500%	semi	15/06/2023	EURO-DOLLAR	attractive	COMPANY GUARNT	BB+ / n.a. / Ba1	106.7	2.5	4.6%	n.a.	208		400 m	200 + 1

Food-Misc/Diversified: BOPARAN (n.a. / n.a. / B1, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Boparan Holdings is a privately held holding company for UK-based 2 Sisters Food Group (2SFG). The company was established in 1993 and is now the third-largest food company in the UK with a focus on poultry, red meat, frozen food, biscuits, ready meals, sandwiches, pizza, cakes and desserts. Customers include Asda, British Airways, Marks & Spencer, Sainsbury's, Tesco and Waitrose.

Investment case

- Leading UK private label food producer and the UK's largest specialist poultry producer.
- Broad and diverse product portfolio ranging from red and white meat through to ready meals, soups, sandwiches, pizza, salads, biscuits and cakes.
- Strong relationships with the UK's largest food retailers such as Tesco Plc, Marks and Spencer and J Sainsbury Plc supported by Boparan's size and scale of operations.
- Sound balance sheet liquidity, good cash flow generation and no near-term debt maturities.

Key Risks

- Delayed integration and dilutive effect of VION UK acquisition could weigh on the company's credit profile.
- Challenging trading conditions and limited pricing power in the private label segment could weigh on margins.
- Volatile raw material prices and supply chain disruption could impact margins and relationships with core customers.
- Further debt-financed acquisitions and a change in financial policy could delay organic deleveraging.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
BOPARAN FINANCE PLC (BOPRLN)	XS0618540883	EUR	9.750%	semi	30/04/2018	Euro-Non\$	fair	COMPANY GUARNT	B+ / n.a. / B1	108.0	0.7	7.4%	0.7%	41	yes	340 m	100 + 1
BOPARAN FINANCE PLC (BOPRLN)	XS0616393145	GBP	9.875%	semi	30/04/2018	Euro-Non\$	expensive	COMPANY GUARNT	B+ / n.a. / B1	108.1	0.7	7.5%	0.3%	-19	yes	400 m	100 + 1

Food-Misc/Diversified: FINDUS BONDCO SA (n.a. / B-, stable / B3, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



The Findus Group is a multinational food business headquartered in the UK and with operations around Europe. It is the parent company of Young's, Findus and The Seafood Company. The group has a broad product portfolio including frozen and chilled fish and seafood, vegetables, ready meals and other products. The company is owned by private equity investors that include Lion Capital, Highbridge, JP Morgan and Northwestern Mutual.

Investment case

- One of Europe's largest frozen food and seafood companies with long established and trusted brands that include Findus and Young's in addition to private label operations.
- Good geographic diversification across Europe and leading market shares in core regional markets: 51% market share in Norway, 31% in UK and 28% in Sweden.
- Diverse customer base that includes food services (including restaurants, schools and hospitals), other food processors and grocery retailers.
- Strong customer loyalty and long established relationships with Europe's largest grocery retailers.

Key Risks

- Strong competition in the food retail industry with a high level of promotional activity from retailers.
- Slow growth in developed markets and limited pricing power within ist private label product offering.
- Vulnerable to availability of ingredients and raw material price volatility; the seasonal nature of certain products and external factors, such as the weather, can impact operating performance.
- Leverage remains high and margins low, limiting the potential for meaningful debt reduction.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
FINDUS BONDCO SA (FINDUS)	XS0943769397	EUR	9.125%	semi	01/07/2018	EURO-ZONE	fair	SR SECURED	B- / B+ / B3	109.7	3.7	6.4%	4.1%	354	yes	305 m	100 + 1
FINDUS BONDCO SA (FINDUS)	XS0943769801	GBP	9.500%	semi	01/07/2018	Euro-Non\$	fair	SR SECURED	B- / B+ / B3	109.6	3.9	6.8%	4.7%	371	yes	150 m	100 + 1

Diversified Operations: FRANZ HANIEL (BB+, positive / n.a. / Ba1, stable)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Franz Haniel is a privately owned investment firm with five autonomously run companies. Its investment portfolio consists of a 50% stake in Takkt (B2B mail order specialist for business equipment), fully owned ELG (trade in raw materials for steel industry) and CWS-Boco (provider of washroom hygiene products). Franz Haniel also holds a 30% minority stake in the retailing company Metro.

Investment case

- Diversified revenue base as an investment firm, the majority of whose companies are fairly liquid (82% listed) and majority owned, which gives it control over their dividend policy.
- Successful deleveraging in recent years to achieve its net debt target of EUR 2bn at the holding company level.
- Company targets to reach investment grade rating in the BBB range.
- Strong liquidity with 1.6bn of unused credit facilities and improved loan-to-market value ratio of an estimated 27% (<35% and 30% for upgrade by S&P or Moody's, respectively).

Key Risks

- Derives about 63% of its revenues from Western Europe and is strongly exposed to the Metro investment, which makes up about ~65% of the portfolio after the Celesion sale.
- Decline in revenues (-6.8% 1H 2013 yoy) across all business segments due to sluggish economic conditions in Europe and divestments (Metro, TAKKT).
- Decline in dividends received (mainly due to reduction from Metro) led to significantly lower cash cover of 1.0x.
- After successful sale of its Celesio stake the company might engage in debt funded acquisitions to expand its portfolio again.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
FRANZ HANIEL & CIE GMBH (HANIEL)	XS0459131636	EUR	6.750%	annu	23/10/2014	EURO MTN	fair	SR UNSECURED	BB+ / n.a. / Ba1	102.6	4.0	0.2%	n.a.	-21		464 m	1 + 1
FRANZ HANIEL & CIE GMBH (HANIEL)	XS0482703286	EUR	5.875%	annu	01/02/2017	EURO-ZONE	fair	SR UNSECURED	BB+ / n.a. / Ba1	112.5	1.9	1.1%	n.a.	67		311 m	1 + 1
FRANZ HANIEL & CIE GMBH (HANIEL)	XS0743603358	EUR	6.250%	annu	08/02/2018	EURO-ZONE	fair	SR UNSECURED	BB+ / n.a. / Ba1	117.0	1.8	1.5%	n.a.	92		202 m	1 + 1

Food-Misc/Diversified: HJ HEINZ (BB-, stable / BB-, stable / B2, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



The H. J Heinz Company is a US-based branded food company that sells its products in 200 countries. Its principal products include ketchup, condiments and sauces, frozen food, soups, beans and pasta meals, and infant nutrition. In June 2013 the company completed a leverage buy-out (LBO) by Berkshire Hathaway and Brazil-based 3G Capital.

Investment case

- Strong business position supported by a broad portfolio of branded products that include supermarket "must stock" items.
- Good geographic diversification with two-thirds of sales arising from outside the US.
- History of stable earnings and robust margins (prior to the recent leveraged buy-out).
- New management's compensation partly tied to leverage reduction.

Key Risks

- Highly competitive industry marked by lower-priced private label brands sold by retail customers.
- Exposure to commodity costs for raw materials, manufacturing and transportation, which can affect margins, although hedging policies mitigate this risk.
- Disruption to manufacturing and distribution capabilities can adversely affect the business.
- High leverage and expensive acquisition finance/preferred stock reduce the company's ability to improve credit metrics over the near term.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
HJ HEINZ CO (HNZ)	USU24716AA71	USD	4.250%	semi	15/10/2020	EURO-DOLLAR	attractive	SECURED	BB- / BB / B1	99.6	0.5	4.3%	7.1%	231	yes	3,100 m	2 + 1
H.J. Heinz has submitted an exchange offer for this issue which expires 5 June 2014. The new notes may be transferred without restriction; all other te																	
HEINZ (H.J.) FINANCE CO (HNZ)	US42307TAG31	USD	6.750%	semi	15/03/2032	GLOBAL	fair	COMPANY GUARNT	BB- / BB- / B2	108.3	1.4	6.0%	n.a.	284		437 m	1 + 1

Commercial Services: IRON MOUNTAIN (BB-, negative / n.a. / Ba1, negative)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Iron Mountain is a global provider for data storage and information management. The company's primarily stores paper documents as well as data backup media and also offers supplementary services such as data recovery, destruction or record management. As of LTM 3Q 2013 the company generated USD 3bn from more than 155,000 clients.

Investment case

- Well diversified customer base with more than 155,000 clients in 35 countries from various industries.
- High retention rate with recurring revenues coupled with low maintenance and turnover costs for existing clients.
- Growth opportunities arising from increasing regulatory requirements for data storage and overall growth in data processing technologies.
- Recently refinanced several of its high-coupon bonds and increased its revolving credit facility to USD 1.5bn (USD 975m available as of 30 September 2013).

Key Risks

- Long-term risk of shifts in demand for non-paper based storage technologies.
- May engage in further debt-funded acquisitions to support growth.
- Real estate investment trust (REIT) conversion still poses a threat to the company as it causes significant cash drain through associated costs (comp. guidance of USD 325m-425m).
- Company has a very shareholder-friendly policy, having made USD 1.2bn in distributions between 2010 and 2011 and shown willingness to operate above company leverage target of 3x-4x.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
IRON MOUNTAIN INC (IRM)	US46284PAP99	USD	5.750%	semi	15/08/2024	GLOBAL	fair	COMPANY GUARNT	B / n.a. / B1	100.6	1.6	5.7%	6.3%	366	yes	1,000 m	2 + 1

Feminine Health Care Prd: ONTEX I SARL (B, stable / n.a. / Caa1, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Ontex is Europe's leading producer of private label hygienic disposable products that include diapers, adult incontinence products and feminine care products. The company primarily sells its products to retailers (such as Tesco, Carrefour and Aldi), wholesalers distributors and institutions. The company also has a portfolio of in-house brands that it offers alongside its private label offering. The company is headquartered in Belgium and sells its products in more than 100 countries.

Investment case

- Niche position as Europe's leading manufacturer of private label hygienic disposable products.
- Wide product offerings, covering baby care, feminine care and adult incontinence care.
- Growing portfolio of branded products (accounting for about 40% of revenues) should support margin development.
- New chairman Paul Walsh (former CEO of Diageo), who has extensive experience in consumer goods and emerging markets.

Key Risks

- Highly competitive market, especially from A brands, although Kimberly Clark's (Huggies) recent exit from the European diaper market has helped Ontex gain market share.
- Raw material price volatility, unavailability of raw materials and currency effects can hurt financial performance.
- High leverage and modest margins combine to reduce opportunities for deleveraging although the company has managed to rationalize plants and cut costs in recent years.
- Ongoing debt funded acquisitions could pressure financial metrics and ratings.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
ONTEX IV (ONTEX)	XS0611589101	EUR	7.500%	semi	15/04/2018	EURO-ZONE	fair	SR SECURED	B / n.a. / B1	104.6	0.9	6.1%	-4.3%	-460	yes	395 m	100 + 1
ONTEX IV (ONTEX)	XS0611590299	EUR	4.453%	quart	15/04/2018	EURO-ZONE	expensive	SR SECURED	B / n.a. / B1	100.9	0.5	4.2%	-7.9%		yes	280 m	100 + 1
ONTEX IV (ONTEX)	XS0611590885	EUR	9.000%	semi	15/04/2019	EURO-ZONE	fair	COMPANY GUARNT	CCC+ / n.a. / Caa1	109.4	1.1	6.7%	3.2%	266	yes	235 m	100 + 1

Retail-Drug Store: PHOENIX PIB FINANCE (n.a. / n.a. / n.a.)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Phoenix Pharmahandel GmbH & Co KG is primarily engaged in the wholesale and retail distribution of pharmaceutical products in Europe. The Germany-based company also offers goods management and point-of-sale systems for pharmacies as well as transport and special logistics services.

Investment case

- Leading business position as the largest pharmaceutical wholesaler in Germany and the second largest in Europe delivering more than 100,000 items to around 70,000 customers.
- Good geographic diversification with operations in 23 countries and 1,550 pharmacies in 12 countries.
- Approximate market share of 27% in Germany's wholesale industry, 19% in the Netherlands, 19% in Switzerland, 19% in Austria, 18% in Italy, 10% in the UK and 7.6% in France.
- High barriers to entry come in the form of scale, know-how, high delivery frequency and strong relationships with the pharmaceutical manufacturers and retailers.

Key Risks

- EBITDA margins are very low but have been consistently stable over a number of years and are mitigated by relatively low leverage.
- Highly competitive environment and pricing pressure that could result in a loss of margin as well as market share.
- The company (and industry) is subject to regulatory and licensing requirements that govern how products must be identified, handled, stored and distributed.
- Regulatory changes may affect pricing levels and the margins the company is allowed to charge, which could in turn impact revenues.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
PHOENIX PIB FINANCE BV (PHARGR)	XS0524563128	EUR	9.625%	semi	15/07/2014	EURO-ZONE	fair	COMPANY GUARNT	BB / BB / WR	101.3	3.5	-0.4%	n.a.	-67		496 m	50 + 1
PHOENIX PIB DUTCH FINANC (PHARGR)	XS0935786789	EUR	3.125%	annu	27/05/2020	EURO MTN	fair	COMPANY GUARNT	BB / BB / n.a.	99.2	0.0	3.3%	n.a.	230		300 m	100 + 1

Food-Misc/Diversified: PREMIER FOODS PLC (B, stable / n.a. / B2, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Premier Foods is a UK-based food producer with a portfolio of premium brands and leading market share positions in core product categories. These include ambient cakes, ambient desserts, cooking sauces & accompaniments, easy eating, and flavorings & seasonings. The company's key customers include the UK's supermarket operators.

Investment case

- Leading UK food producer with a diverse portfolio of branded and non-branded products including ambient cakes and desserts, cooking sauces and accompaniments.
- Resilient portfolio of established leading brands including Ambrosia, Batchelors, Bird's, Bisto, Homepride, Lloyd Grossman, Mr. Kipling, Oxo, Paxo, and Sharwood's.
- Key customers include the UK's big four supermarkets (Tesco, Asda, Sainsbury's and Morrisons) as well as Waitrose, The Co-operative, Lidl and Aldi.
- A capital restructuring and rights issue in early 2014 should now allow the company to organically reduce debt and leverage. It should also free up cash for advertising and product development.

Key Risks

- The group operates in highly competitive markets where its customers have an increasing propensity towards private label products.
- Limited pricing power with the company's major customers and limited scope to pass on price increases, which could impact margins.
- Organic growth plans and the need to invest in product development limit the company's ability to generate near-term positive cash flows.
- High leverage taking account of the company's pension deficit although management has a stated policy of reducing reported net leverage towards 2.5x before equity distributions are considered.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
PREMIER FOODS FINANCE (PFDLN)	XS1043640637	GBP	5.520%	quart	15/03/2020	Euro-Non\$	fair	SR SECURED	B / B / B2	101.4	1.1	5.3%	5.0%		yes	175 m	100 + 1
PREMIER FOODS FINANCE (PFDLN)	XS1043621090	GBP	6.500%	semi	15/03/2021	Euro-Non\$	attractive	SR SECURED	B / B / B2	103.6	1.3	5.9%	6.2%	364	yes	325 m	100 + 1

Beverages-Non-alcoholic: REFRESCO GERBER (B+, stable / n.a. / B2, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Netherlands-based Refresco Group is a European soft drinks and fruit juice manufacturer. While the majority of revenues come from private label manufacturing, it also contract manufactures for 'A' brand companies and also has a small portfolio of in-house branded drinks. The company recently merged with UK drinks producer Gerber Emig in November 2013.

Investment case

- Leading producer of private label soft drinks and juices in Europe and an established contract manufacturer for regional and international A-branded drinks.
- Good geographic diversification within Europe with flexible manufacturing capabilities in Benelux, France, Germany, Iberia, Italy, the UK, Poland and Finland.
- Ongoing fragile consumer environment favors private label and value products
- Recent merger with UK-based Gerber Emig should provide better market access and organic growth opportunities.

Key Risks

- Heavy promotional activity by branded producers and also retailers could pressure margins.
- Continued fragile economic environment in Europe could dampen growth and delay deleveraging.
- Raw material price volatility can impact margins; seasonal working capital swings can impact leverage.
- Limited pricing power and delayed cost pass-through can impact margins and leverage.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
REFRESCO GERBER BV (REFRLN)	XS0626350028	EUR	4.335%	quart	15/05/2018	EURO-ZONE	expensive	SR SECURED	B+ / n.a. / B3	101.5	0.1	3.9%	-15.5%		yes	300 m	100 + 1
REFRESCO GERBER BV (REFRLN)	XS0626347743	EUR	7.375%	semi	15/05/2018	EURO-ZONE	expensive	SR SECURED	B+ / n.a. / B3	106.2	0.2	5.6%	-2.0%	-228	yes	360 m	100 + 1

Retail-Drug Store: RITE AID CORP (B, stable / B, stable / Caa1, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Rite Aid Corp is a US-based pharmacy retail chain selling prescription drugs and a range of other merchandise, including over-the-counter medication, health and beauty aids, cosmetics, and personal care items. The company operates over 4,600 stores in 31 states and the district of Columbia. The company was founded in 1927 and is headquartered in Pennsylvania.

Investment case

- Leading market position as the third largest drugstore chain in the US and the largest drugstore chain on the East Coast of North America.
- Successfully rebranded itself as a health and wellness store capable of offering a range of services, including prescription management, wellness advice and non-emergency medical treatment.
- Operating performance improved following the company's move to a "wellness store" format, as evidenced by recently reported strong Q2 results.
- Good liquidity and no onerous bond maturities until 2019.

Key Risks

- Highly competitive market and ongoing discounting from industry peers, including Walgreen and CVS Caremark. This risk is mitigated in part by Rite Aid's successful customer loyalty program.
- A rise in pharmaceutical costs will likely lead to continued reimbursement rate pressure from healthcare providers and funders.
- A shift from higher-priced prescription drugs to lower-priced generic drugs could have a negative impact on revenues.
- Threat of additional competition from direct-mail and web-based pharmacy services.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
RITE AID CORP (RAD)	US767754CD47	USD	9.250%	semi	15/03/2020	GLOBAL	illiq.	COMPANY GUARNT	CCC+ / B / Caa1	n.a.	1.9	n.a.	n.a.	n.a.	yes	902 m	2 + 1
RITE AID CORP (RAD)	US767754CB80	USD	8.000%	semi	15/08/2020	GLOBAL	illiq.	SR SECURED	BB- / BB / Ba3	n.a.	2.3	n.a.	n.a.	n.a.	yes	638 m	2 + 1

Sugar: TEREOS EUROPE SA (BB+, positive / n.a. / Ba2, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Tereos is a Europe-based cooperative sugar group that processes agricultural raw materials into sugar, sweeteners, alcohol and starch. The cooperative is collectively owned by just over 12,000 sugar beet producers and it has 41 industrial facilities mainly in France and Brazil, but also Czech Republic, Réunion, Mozambique, Spain, Italy, UK and Belgium. Tereos is headquartered in France and is Europe's second-largest sugar producer.

Investment case

- Europe's second-largest sugar producer with a strong market position in the protected European sugar market where it holds some 10% of the EU sugar quotas.
- Stable supply of raw materials supported by the company's cooperative structure (ownership by just over 12,000 sugar beet producers).
- Credit metrics have steadily improved over recent years and are now in line with the company's stated leverage target of 2.5x.
- Sound liquidity following the 2013 refinancing and no meaningful debt maturities after its 2014 bonds have been redeemed.

Key Risks

- Commodity price volatility can impact margins and potentially increases as the business expands outside of the EU.
- Seasonality of harvests can impact working capital and debt/leverage.
- Longer term uncertainty over the EU regulatory reforms relating to the European sugar industry that come into effect in late 2017.
- Significant debt-funded acquisitions could have a negative impact on credit metrics.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
TEREOS FINANCE GROUPE I (TEREOS)	FR0011439900	EUR	4.250%	annu	04/03/2020	EURO-ZONE	fair	COMPANY GUARNT	BB+ / n.a. / Ba3	103.1	1.0	3.6%	3.5%	277	yes	500 m	100 + 100

Food-Wholesale/Distrib: UNIVEG HOLDING BV (n.a. / n.a. / B3, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



The Univeg group is a worldwide supplier of fresh produce, including fresh cut fruit and vegetables. The company has operations in Europe, the Americas, Asia and Africa, but its dominant presence is in Europe where it supplies 19 out of 20 of the largest food retailers. The company was acquired in 2013 from CVC Capital Partners by Hein Deprez, the founder of Univeg, along with senior management and a group of investors.

Investment case

- Strong presence in Europe, particularly in Germany, Belgium and the Netherlands with well-established customer relationships. The company supplies 19 out of 20 of the largest food retailers.
- Strong market share in core markets supported by established distribution capabilities.
- Operations supported by strong sourcing capabilities in Europe (Spain, Italy and the Netherlands) and other key regions.
- Value-added services include cold storage, ripening and customer label packaging.

Key Risks

- Highly fragmented market with relatively low barriers to entry but mitigated by increasing supply chain complexity.
- Low margin business with relatively high leverage constrains company's ability to generate meaningful free cash flow.
- Commodity nature of products and external factors such as the weather increase operating risk.
- Ongoing debt funded acquisitions could delay deleveraging.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
UNIVEG HOLDING BV (UNIVEG)	XS0992644038	EUR	7.875%	semi	15/11/2020	EURO-ZONE	fair	SR SECURED	CCC+ / n.a. / B3	104.6	0.3	7.0%	7.3%	607	yes	285 m	100 + 1

Sector: Energy and utilities



Sector description

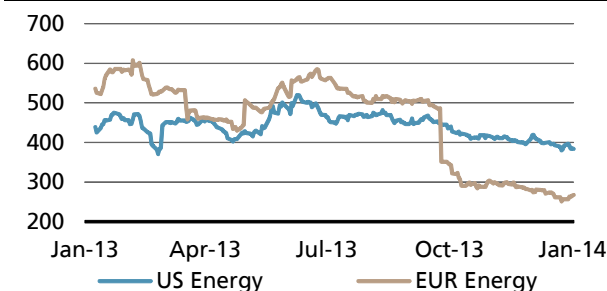
Although this group consists of companies in one value chain, there is a distinct division between the upstream players and the utilities in that the distribution business of utilities is usually regulated and their profitability has better visibility. Operating performance of energy companies, on the other hand, is highly dependent on volatile commodity prices. The value chain starts with the extraction, followed by refining, transportation, and storage of feedstock. The utilities largely handle the distribution part. There are often overlaps due to different degrees of vertical integration at companies.

Performance and sector outlook

Energy: There is an ever-increasing demand for energy sources. Rising production costs necessitate high(er) commodity prices for oil and gas companies. Smaller and weaker-rated companies have less cushion in a downcycle and need to implement mitigating measures faster than large corporates do. European refiners are going through a challenging period of overcapacity in the industry; the situation in the US, meanwhile, will likely remain better.

Utilities: The ratings of power-producing utilities in Europe have come under pressure from low electricity prices in the free market. In the US, cheap natural gas prices and regulatory measures prompted a switch from coal to gas plants, which utilities need to digest. Power and gas transmission and distribution is regulated in the US and Europe, and allows corporates to have higher leverage for the rating. Integrated utility providers will likely retain their dependence on the regulated business while trying to improve their power generation earnings.

OAS for the energy sector



Source: Barclays, UBS, as of October 2013

Oil Comp-Explor&Prodn: CHESAPEAKE ENERGY (BB+, stable / BB-, positive / Ba1, stable)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Chesapeake Energy Corporation is focused on exploration and production of oil and gas. The company has assets in multiple basins across the US and owns a large oil field services company as well. It is the second largest producer of natural gas and one of the most active drillers in the US. The group is headquartered in Oklahoma and is publicly listed.

Investment case

- The second largest natural gas producer and one of the leading oil producers in the US.
- Significantly larger proved reserves than similarly rated peers in the E&P industry.
- Focused asset base after the disposal of non-core assets worth USD 14bn between 2011 and 2012.
- Increasing production discipline subsequent to non-core disposals should help improve profitability.

Key Risks

- Exposure to volatile commodity prices; a significant drop in gas prices could sharply weaken the group's profitability and hence its credit metrics.
- High leverage despite recent asset disposals.
- Significant capex required through 2014 to expand the group's E&P operations in existing fields.
- Liquidity is constrained, and planned capex spends are to be partly funded by further asset disposals.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
CHESAPEAKE ENERGY CORP (CHK)	XS0273933902	EUR	6.250%	semi	15/01/2017	Euro-Non\$	expensive	COMPANY GUARNT	BB+ / BB- / Ba1	110.0	2.3	2.3%	n.a.	189		344 m	50 + 1
CHESAPEAKE ENERGY CORP (CHK)	US165167B556	USD	6.500%	semi	15/08/2017	GLOBAL	fair	COMPANY GUARNT	BB+ / BB- / Ba1	113.1	1.8	2.2%	n.a.	126		660 m	1 + 1
CHESAPEAKE OIL OP/FIN (CHK)	US165258AB07	USD	6.625%	semi	15/11/2019	GLOBAL	fair	COMPANY GUARNT	BB- / n.a. / Ba3	105.8	0.2	5.4%	4.7%	413	yes	648 m	2 + 1
CHESAPEAKE ENERGY CORP (CHK)	US165167BU03	USD	6.875%	semi	15/11/2020	GLOBAL	fair	COMPANY GUARNT	BB+ / BB- / Ba1	117.5	0.2	3.8%	n.a.	177		499 m	1 + 1

Oil Comp-Explor&Prodtn: CONCHO RESOURCES (BB+, stable / n.a. / Ba3, stable)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Concho Resources is a natural gas and oil company engaged in exploration, development, and production. The company's operations are primarily focused on the Permian Basin in Western Texas and the Gulf of Mexico. The group was formed in 2006 by the merger of Concho Equity Holdings Corp. and certain assets of Chase Oil Corp. and its affiliates. It owned interests in about 5,500 producing wells and had proved reserves of 447MMBoe as of the end of 2012.

Investment case

- Focused production base delivering operating efficiency; operates around 4,700 wells in the Permian Basin region.
- Strong production growth; has delivered a CAGR of 20% since 2009 despite a net decline in debt.
- Long reserve life; Concho has a reserve life of 15 years, with a proven developed (PD) reserve life of 9.1 years, which suggests that limited drilling is required to sustain production at the current rate.
- Higher liquids exposure than peers; Concho's production for 2012 comprised 60% higher-margin liquids and 40% gas.

Key Risks

- Concentration risk; the group delivers growth but is focused only on the Permian Basin in Texas.
- Possible leveraged acquisitions; the group has made opportunistic transactions in the past and is not averse to debt-funded acquisitions even now.
- Exposure to volatile commodity prices; a significant movement in oil and gas prices could strongly affect the group's profitability and hence its credit metrics.
- Most of the group's operations bear significant operational and execution risks.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
CONCHO RESOURCES INC (CXO)	US20605PAD33	USD	5.500%	semi	01/10/2022	GLOBAL	illiq.	COMPANY GUARNT	BB+ / n.a. / Ba3	n.a.	0.9	n.a.	n.a.	n.a.	yes	600 m	2 + 1
CONCHO RESOURCES INC (CXO)	US20605PAE16	USD	5.500%	semi	01/04/2023	GLOBAL	fair	COMPANY GUARNT	BB+ / n.a. / Ba3	107.8	0.9	4.4%	3.8%	273	yes	1,550 m	2 + 1

Coal: CONSOL ENERGY (BB, stable / n.a. / B1, negative)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



CONSOL Energy is the largest underground coal miner in the US, with a growing natural gas operation. The company's mines are concentrated around the Appalachian region and contain higher quality coal, which is also useful in metallurgical processes like steel-making. The group sold some of its coal assets in late 2013 in West Virginia to support its growth investments in gas operations. Pro forma this sale, it had proven and probable coal reserves of 3.2bn tonnes. CONSOL was founded in 1860 and is headquartered in Pittsburgh.

Investment case

- Large, low cost coal producer in the US with a growing presence in natural gas.
- Joint ventures with experienced E&P companies (Hess Energy and Noble Energy) in the Marcellus and Utica shales will help reduce costs and execution risks.
- Strong liquidity: cash and equivalents of about USD 320m and available credit facilities of USD 1.7bn as of end-2013.
- Improved balance sheet after the transfer of USD 2.4bn of legacy pension and other post-employment benefit liabilities to Murray Energy, along with asset sale.

Key Risks

- Planned natural gas growth investments in a low-commodity price environment will likely drive leverage higher.
- Prolonged period of low natural gas prices and reduced cash producing coal portfolio will likely weigh on cash generation.
- High litigation exposure: like other mine operators, CONSOL is involved in many litigations, with estimated claims exceeding the group's provisions by almost USD 800m as of 3Q13.
- Legacy pension and other post-employment benefits were reduced after the asset sale to Murray Energy in 2013, but are still substantial at about USD 1.8bn.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
CONSOL ENERGY INC (CNX)	US20854PAF62	USD	8.250%	semi	01/04/2020	GLOBAL	fair	COMPANY GUARNT	BB / n.a. / B1	109.3	1.3	6.3%	2.0%	148	yes	1,250 m	2 + 1
CONSOL ENERGY INC (CNX)	US20854PAH29	USD	6.375%	semi	01/03/2021	GLOBAL	illiq.	COMPANY GUARNT	BB / n.a. / B1	n.a.	1.5	n.a.	n.a.	n.a.	yes	250 m	2 + 1

Oil Comp-Explor&Prodn: CONTINENTAL RESOURCES (BBB-, stable / n.a. / Baa3, stable)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Continental Resources is an E&P company founded in 1967 by its chairman and CEO Harold Hamm. The group started operations in Oklahoma, but subsequently shifted its focus to the Bakken region in Montana, which accounts for about two thirds of the group's current operations. The group is listed, although Mr. Hamm's family owns about 76% of the group's shares.

Investment case

- Leading asset holding in the Bakken region, which supported peer-leading volume and cash generation growth in the past three years.
- Strong focus on production growth; the group has a stated goal of tripling its 2012 production capacity to 300MBoe/d by 2017.
- Large proved reserve; the group reported proved reserves of 784MMBoe at the end of 2012 with a reserve life of 22.4 years at 2012 production rates.
- Higher leverage to oil; higher-margin liquids accounted for about 70% of the group's 2012 production.

Key Risks

- Asset concentration; despite company's large size, about 70% of the groups revenues for 2012 were derived from the Bakken region.
- Significant capex outspend ahead; the group is guiding capex of USD 3.6bn in 2013 and USD 4bn in 2014 compared to operating cash flow of USD 2.5bn for LTM Q3 2013.
- Concentrated ownership; founder CEO Harold Hamm's family owns a 75.8% share in the company.
- Exposure to volatile commodity prices; as the group usually hedges some 70% of its production for the running year and much lower for future, its earnings are likely to be strongly affected by sharp price movements.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
CONTINENTAL RESOURCES (CLR)	US212015AB76	USD	8.250%	semi	01/10/2019	GLOBAL	illiq.	COMPANY GUARNT	BBB- / n.a. / Baa3	n.a.	1.3	n.a.	n.a.	n.a.	yes	300 m	1 + 1
CONTINENTAL RESOURCES (CLR)	US212015AD33	USD	7.375%	semi	01/10/2020	GLOBAL	illiq.	COMPANY GUARNT	BBB- / n.a. / Baa3	n.a.	1.1	n.a.	n.a.	n.a.	yes	200 m	1 + 1
CONTINENTAL RESOURCES (CLR)	US212015AF80	USD	7.125%	semi	01/04/2021	GLOBAL	fair	COMPANY GUARNT	BBB- / n.a. / Baa3	113.6	1.1	4.8%	1.5%	98	yes	400 m	1 + 1
CONTINENTAL RESOURCES (CLR)	US212015AH47	USD	5.000%	semi	15/09/2022	GLOBAL	fair	COMPANY GUARNT	BBB- / n.a. / Baa3	108.5	1.0	3.8%	2.7%	186	yes	2,000 m	1 + 1
CONTINENTAL RESOURCES (CLR)	US212015AL58	USD	4.500%	semi	15/04/2023	GLOBAL	fair	COMPANY GUARNT	BBB- / n.a. / Baa3	107.0	0.5	3.6%	3.5%	111	yes	1,500 m	2 + 1

Oil Comp-Explor&Prodn: DENBURY RESOURCES (BB, stable / n.a. / Ba3, stable)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Denbury Resources is an E&P operator focusing on crude oil and natural gas in two regions – the Gulf Coast including Mississippi, Louisiana, Texas, and Alabama, and the Rockies (Wyoming). It specializes in CO2-driven tertiary oil recovery from mature conventional fields. It controls its own CO2 source, an old volcano located near Jackson, MS, as well as a 1,100-mile proprietary pipeline network. Denbury was founded in 1951 and is headquartered in Plano, Texas.

Investment case

- Focused on oil products, which offer better margins; 95% of the group's production in Q3 2013 was oil, which is a significantly higher share than for most E&P players in the high-yield space.
- Integrated CO2 operation with a pipeline of more than 1,100 miles substantially reducing sourcing and cost volatility risks.
- Planned production growth; the group guides 9-14% yoy production growth for 2014.
- Business model has better production visibility; Enhanced Oil Recovery (EOR) techniques produce durable, long-lived volumes that require relatively lower ongoing capital intensity than the typical shale plays.

Key Risks

- Increasing shareholder focus; in November 2013, the group announced a quarterly dividend plan starting in Q1 2014, with plans to double the distribution in 2015.
- Possible reduction in growth rates; capex plans need to be moderated to support dividend distributions.
- Leverage likely to go up; management expects free cash flow of -ve USD 290m to -ve USD 40m for 2014.
- The group's hedging strategy, mostly through collars, leaves limited scope for an upside if crude prices witness an uptrend.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
DENBURY RESOURCES INC (DNR)	US247916AD13	USD	5.500%	semi	01/05/2022	US DOMESTIC	n.a.	COMPANY GUARNT	BB / n.a. / B1	103.7	0.4	4.9%	5.4%	288	yes	1,250 m	2 + 1
DENBURY RESOURCES INC (DNR)	US24823UAH14	USD	4.625%	semi	15/07/2023	GLOBAL	attractive	COMPANY GUARNT	BB / n.a. / B1	96.9	1.7	5.1%	6.2%	255	yes	1,200 m	2 + 1

Electric-Integrated: ENERGIAS DE PORTUGAL (BB+, stable / BBB-, watch - / Ba1, negative)

Analyst: Rafael Bucher (rafael.bucher@ubs.com)

UBS credit view on senior bonds



EDP is Portugal's largest utility and the fourth largest on the Iberian peninsula after Iberdrola, Gas Natural and Endesa. The company generates power and distributes power and gas. Power sources are mostly clean such as wind or hydro. EDP Renováveis holds the group's wind businesses. China Three Gorges (CTG) bought the 21.35% stake of EDP, which was formerly owned by the Portuguese state.

Investment case

- Stable revenue stream from regulated (distribution), quasi-regulated (European wind) and long-term contracted businesses (Brazil, US wind), which account for about 85% (on EBITDA level) of ist portfolio.
- Some earnings diversification by region (Portugal, Spain, US, Brazil).
- CTG made a commitment to buying assets from EDP and providing committed credit lines.
- Good management team

Key Risks

- High debt leverage from the former growth strategy. Rating downgrade of Portugal.
- Deleveraging phase could take longer due to recent regulatory action in Spain and Portugal.
- Weak economic environment in Portugal and Spain limits demand for power.
- EU challenge of the price of EDP's hydro plant purchase from the Portuguese government.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
EDP FINANCE BV (ELEPOR)	CH0197841551	CHF	4.000%	annu	29/11/2018	EURO MTN	Sell	SR UNSECURED	BB+ / BBB- / Ba1	109.2	2.0	1.9%	n.a.	159		125 m	5 + 5
EDP FINANCE BV (ELEPOR)	XS0495010133	EUR	3.250%	annu	16/03/2015	EURO MTN	expensive	SR UNSECURED	BB+ / BBB- / Ba1	101.6	0.6	1.3%	n.a.	77		1,000 m	50 + 1
EDP FINANCE BV (ELEPOR)	XS0221295628	EUR	3.750%	annu	22/06/2015	EURO MTN	expensive	SR UNSECURED	BB+ / BBB- / Ba1	102.5	3.5	1.4%	n.a.	81		500 m	1 + 1
EDP FINANCE BV (ELEPOR)	XS0586598350	EUR	5.875%	annu	01/02/2016	EURO MTN	fair	SR UNSECURED	BB+ / BBB- / Ba1	107.0	1.9	1.6%	n.a.	117		750 m	100 + 1
EDP FINANCE BV (ELEPOR)	XS0256997007	EUR	4.625%	annu	13/06/2016	EURO MTN	expensive	SR UNSECURED	BB+ / BBB- / Ba1	106.2	4.4	1.5%	n.a.	116		500 m	50 + 1
EDP FINANCE BV (ELEPOR)	XS0435879605	EUR	4.750%	annu	26/09/2016	EURO MTN	expensive	SR UNSECURED	BB+ / BBB- / Ba1	106.5	3.2	1.9%	n.a.	147		1,000 m	50 + 1
EDP FINANCE BV (ELEPOR)	XS0831842645	EUR	5.750%	annu	21/09/2017	EURO MTN	Sell	SR UNSECURED	BB+ / BBB- / Ba1	112.0	3.9	2.0%	n.a.	146		750 m	100 + 1
EDP FINANCE BV (ELEPOR)	XS1057345651	EUR	2.625%	annu	15/04/2019	EURO MTN	Sell	SR UNSECURED	BB+ / BBB-e / Ba1	100.3	0.3	2.6%	n.a.	181		650 m	100 + 1
EDP FINANCE BV (ELEPOR)	XS0223447227	EUR	4.125%	annu	29/06/2020	EURO MTN	Sell	SR UNSECURED	BB+ / BBB- / Ba1	108.3	3.8	2.6%	n.a.	165		300 m	1 + 1
EDP FINANCE BV (ELEPOR)	XS0970695572	EUR	4.875%	annu	14/09/2020	EURO MTN	Sell	SR UNSECURED	BB+ / BBB- / Ba1	112.3	3.4	2.7%	n.a.	169		750 m	100 + 1
EDP FINANCE BV (ELEPOR)	XS0995380580	EUR	4.125%	annu	20/01/2021	EURO MTN	Sell	SR UNSECURED	BB+ / BBB- / Ba1	107.2	1.4	2.9%	n.a.	184		600 m	100 + 1
EDP FINANCE BV (ELEPOR)	XS0152784715	GBP	6.625%	annu	09/08/2017	EURO MTN	Sell	SR UNSECURED	BB+ / BBB- / Ba1	112.1	5.3	2.6%	n.a.	102		200 m	1 + 1
EDP FINANCE BV (ELEPOR)	XS0397015537	GBP	8.625%	annu	04/01/2024	EURO MTN	Sell	SR UNSECURED	BB+ / BBB- / Ba1	126.3	3.4	5.1%	n.a.	233		325 m	50 + 50
EDP FINANCE BV (ELEPOR)	XS0328781728	USD	6.000%	semi	02/02/2018	EURO-DOLLAR	Sell	SR UNSECURED	BB+ / BBB- / Ba1	109.9	1.9	3.1%	n.a.	197		1,000 m	100 + 1
EDP FINANCE BV (ELEPOR)	US26835PAB67	USD	6.000%	semi	02/02/2018	PRIV PLACEMENT	Sell	SR UNSECURED	BB+ / BBB- / Ba1	110.1	1.9	3.1%	n.a.	190		1,000 m	100 + 1
EDP FINANCE BV (ELEPOR)	US26835PAC41	USD	4.900%	semi	01/10/2019	PRIV PLACEMENT	Sell	SR UNSECURED	BB+ / BBB- / Ba1	105.7	0.8	3.7%	n.a.	199		1,000 m	100 + 1
EDP FINANCE BV (ELEPOR)	XS0454935395	USD	4.900%	semi	01/10/2019	EURO-DOLLAR	Sell	SR UNSECURED	BB+ / BBB- / Ba1	105.4	0.8	3.8%	n.a.	204		1,000 m	100 + 1
EDP FINANCE BV (ELEPOR)	XS1014868779	USD	5.250%	semi	14/01/2021	EURO-DOLLAR	Sell	SR UNSECURED	BB+ / BBB- / Ba1	105.8	1.9	4.2%	n.a.	217		750 m	200 + 1

Oil Comp-Explor&Prodn: FOREST OIL CORP (B-, watch + / n.a. / Caa1, stable)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Forest Oil Corporation is engaged in the exploration, development, and production of natural gas and oil. The company was founded in 1916 by Forest Dale Dorn and his father to jumpstart production in a dry oil field in Pennsylvania. Since then, the group has gone through several ups and downs and is currently focused on Eagle Ford and Cotton Basin assets. The group has been publicly listed since 1969.

Investment case

- Strategic partnership with Schulumberger; the joint venture in the Eagle Ford region lowers capex requirements and gives the company access to the latest technology.
- Significantly reduced outstanding debt; net debt of about USD 600m pro forma the Texas Panhandle asset sale, compared to USD 1.6bn at the end of Q3 2013.
- Growing oil focus; the group is shifting capex away from gas to more profitable oil exploration.
- Improved liquidity after the asset sale; no substantial maturity until 2019.

Key Risks

- Substantially reduced asset base after the Texas Panhandle asset sale; reserve base of about 550-650 Bcfe compared to 1.1 Tcfe at the end of 2012.
- Exposure to volatile commodity prices; a significant drop in oil and gas prices may further weaken the group's profitability and hence its credit metrics.
- No cornerstone asset after the disposal of Texas Panhandle.
- The group is still in the early stages of development for a large part of its acreage in Eagle Ford, so its investments may yield less than expected.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
FOREST OIL CORPORATION (FST)	US346091AZ48	USD	7.250%	semi	15/06/2019	GLOBAL	fair	COMPANY GUARNT	CCC / n.a. / Caa1	100.0	3.3	7.2%	24.1%	671	yes	578 m	2 + 1
FOREST OIL CORPORATION (FST)	US346091BG57	USD	7.500%	semi	15/09/2020	GLOBAL	fair	COMPANY GUARNT	CCC / n.a. / Caa1	100.2	1.5	7.5%	8.9%	605	yes	222 m	2 + 1

Oil Comp-Explor&Prodn: LINN ENERGY (BB-, stable / n.a. / B1, stable)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Linn Energy is the first publicly traded MLP in the US. The company's core operational areas include Granite Wash, the Permian Basin, California, and Michigan. The company was founded in 2003 and went on to be listed in 2006. The group has made 58 acquisitions for a sum of about USD 10bn until mid-2013. The group's product portfolio was split almost evenly between liquids and gas as of the end of 2012.

Investment case

- Large, long-life diversified reserve base; nearly 16,000 gross productive wells with proved reserves of about 5 Tcfe and a reserve-life index of about 17 years.
- Good access to capital markets; the group has raised about USD 6.5bn through share sales and about USD 11bn in debt between 2006 and 2012.
- Growing economies of scale; the group guides a continued organic growth rate of 8-10% per year.
- Growing liquids exposure; liquids, the more profitable segment, accounted for 53% of the group's product portfolio in 2012. Its share will likely increase after the merger with Berry Petroleum.

Key Risks

- Limited cash retention; Linn's MLP structure entails large cash distributions to unit holders, leaving limited scope for deleveraging.
- Possible debt funded acquisitions; MLPs tend to grow through acquisitions to support higher shareholder distributions.
- Event risk; the ongoing SEC investigation into the group's reporting methodology and long-stretched merger discussions with Berry Petroleum remain an overhang on the group's credit quality.
- Exposure to volatile commodity prices; although the group is 100% hedged until 2016, longer term commodity price trends may affect its future hedging cost and operating performance.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
LINN ENERGY LLC/FIN CORP (LINE)	US536022AK29	USD	6.500%	semi	15/05/2019	GLOBAL	fair	COMPANY GUARNT	B+ / n.a. / B1	105.2	0.2	5.3%	4.2%	369	yes	750 m	2 + 1
LINN ENERGY LLC/FIN CORP (LINE)	USU53538AE15	USD	7.250%	semi	01/11/2019	EURO-DOLLAR	illiq.	COMPANY GUARNT	B+ / n.a. / B1	n.a.	0.5	n.a.	n.a.	n.a.	yes	1,800 m	2 + 1
LINN ENERGY LLC/FIN CORP (LINE)	US536022AC03	USD	8.625%	semi	15/04/2020	GLOBAL	fair	COMPANY GUARNT	B+ / n.a. / B1	108.5	1.0	6.8%	3.5%	305	yes	1,300 m	2 + 1
LINN ENERGY LLC/FIN CORP (LINE)	US536022AF34	USD	7.750%	semi	01/02/2021	GLOBAL	attractive	COMPANY GUARNT	B+ / n.a. / B1	107.9	1.6	6.3%	4.4%	383	yes	1,000 m	2 + 1

Oil Comp-Integrated: MOL HUNGARIAN OIL & GAS (BB, stable / BBB-, negative / n.a.)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



MOL is an integrated Hungarian energy player, with presence across the CEE region. The group was formerly the Hungarian national oil company; it currently owns a 49% share (with management control) in the Croatian oil company INA. The group has presence in both oil and gas upstreams, and is expanding its exploration operations in Iraq's Kurdistan region. MOL's downstream business consists mainly of four refineries. The group is publicly listed, with the Hungarian state holding about 24.7% of shares as of end-2013.

Investment case

- Leading Hungarian integrated energy player, with increasing focus on geographic diversification.
- Strong track record of cash generation: reported free cash flow of HUF 362bn (USD 1.4bn) in 2013.
- Leverage of 0.9x as of end-2013 compared to the bank facilities covenant cap of 3x.
- Ongoing cost rationalization program to potentially deliver USD 100m of savings in 2014.

Key Risks

- Uncertainty at its Croatian business, given the dispute over the group's management control in INA, is a drag on the group's credit profile.
- Exposure to Hungary's aggressive taxation regime as the government tries to improve domestic economic conditions.
- Poor organic reserve replacement track record calls for exploratory investments.
- Possible punitive financial measures in Croatia: royalties were increased from 5% to 10% in 2013.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
MOL HUNGARIAN OIL & GAS (MOLHB)	XS0231264275	EUR	3.875%	annu	05/10/2015	Euro-Non\$	fair	SR UNSECURED	BB / BBB- / n.a.	103.0	2.5	1.6%	n.a.	110		750 m	50 + 1
MOL HUNGARIAN OIL & GAS (MOLHB)	XS0503453275	EUR	5.875%	annu	20/04/2017	EURO MTN	fair	SR UNSECURED	BB / BBB- / n.a.	109.6	0.6	2.4%	n.a.	193		750 m	50 + 1
MOL GROUP FINANCE SA (MOLHB)	XS0834435702	USD	6.250%	semi	26/09/2019	EURO MTN	attractive	COMPANY GUARNT	BB / BBB- / n.a.	109.1	1.1	4.3%	n.a.	259		500 m	200 + 1

Oil Comp-Explor&Prodtn: OASIS PETROLEUM (BB-, stable / n.a. / B2, stable)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Oasis Petroleum is a pure-play 'Exploration and Production' company focused on the Williston Basin, North Dakota, targeting the Bakken and Three Forks formation. It has assets in Montana and North Dakota. It also runs integrated well services and marketing management operations through two subsidiaries. The company was formed in 2007 and went public in 2010.

Investment case

- Large, long-life reserve base; proved reserves of 216 MMBoe as of June 2013, with a gross inventory life of about 16 years at 185 wells/year.
- Strong operational control; the group operated 91% of the wells it has an interest in.
- Attractive inventory with significant growth prospects; the group reported 50% growth in its proved inventory during the first half of 2013.
- High liquids exposure; producing liquids is significantly more profitable than producing gas and accounted for 89% of the group's product portfolio for Q3 2013.

Key Risks

- Asset concentration; the group's operations are confined to the Williston Basin.
- Possible takeover target; OAS is quite attractive as a takeover target with a strong growth potential focused on a single geography.
- Increasing leverage despite sharp production growth, as capex has far exceeded organic cash flows in the last two years.
- Aggressive financial policy; the group has made large debt-funded acquisitions and capex since 2010 and will likely continue doing so.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
OASIS PETROLEUM INC (OAS)	US674215AC25	USD	7.250%	semi	01/02/2019	GLOBAL	illiq.	COMPANY GUARNT	B+ / n.a. / B2	n.a.	2.3	n.a.	n.a.	n.a.	yes	400 m	2 + 1
OASIS PETROLEUM INC (OAS)	USU65204AB23	USD	6.875%	semi	15/03/2022	EURO-DOLLAR	illiq.	COMPANY GUARNT	B+ / n.a. / B2	n.a.	1.4	n.a.	n.a.	n.a.	yes	1,000 m	2 + 1
OASIS PETROLEUM INC (OAS)	US674215AE80	USD	6.875%	semi	15/01/2023	GLOBAL	attractive	COMPANY GUARNT	B+ / n.a. / B2	109.7	2.5	5.5%	4.5%	359	yes	400 m	2 + 1

Oil Refining&Marketing: PUMA (n.a. / BB, / Ba3, stable)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Puma Energy is a leading integrated midstream and downstream oil group, with retail operations in 39 countries around the world. The group started its operations in Latin America and still mainly operates in emerging markets. As of the end of 2013, it owned and operated 4.8 million cubic feet of storage capacity and operated 1,678 retail service stations. The group has four shareholders. Founder Trafigura owns 48.8%, Angola's national oil company Sonangol owns 30%, Angolan investment company Cochan owns 15% and the remaining shares are owned by private equity firm PE Investment Limited.

Investment case

- Strong geographic diversification, with a wide customer base spread across 39 countries.
- Leading market position in countries where it has operations, and the business has high barriers to entry.
- High level of vertical integration helps the company manage costs; the group owns all ist storage capacity requirements and manages the midstream operations itself.
- Limited currency exposure; the group hedges or pre-sells all ist procurements.

Key Risks

- The group intends to make significant growth investments over the next two years, which should drive net leverage higher.
- Integrating future acquisitions and green field projects entails execution risks.
- Puma's operations are mostly in emerging markets, and thus ist business is affected by their inherently volatile economies.
- Exposure to regulatory risks: Puma intends to operate in many regulated markets, and thus is likely to be significantly affected by changes in the political or regulatory environment.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
PUMA INTL FINANCING (PUMAFN)	XS1022807090	USD	6.750%	semi	01/02/2021	EURO-DOLLAR	attractive	COMPANY GUARNT	n.a. / BB / Ba3	103.7	2.2	6.1%	6.4%	432	yes	750 m	200 + 1

Oil Comp-Explor&Prodn: SANDRIDGE ENERGY (B, stable / n.a. / B2, stable)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



SandRidge Energy is engaged in the exploration, development, and production of natural gas and oil. The company's operations are primarily focused on the Mississippian formation in the Mid-Continent area of Oklahoma and West Texas Overthrust (WTO). The company sold all its Permian assets outside the Permian Trust in Q1 2013 and had about 329MMBoe of proved reserves at the end of 2012, pro forma the divestment.

Investment case

- Strong proven reserve base for the rating level; net-debt-to-proven-reserve of USD 16.9/bbl as of the end of 2012.
- Improving production efficiency; cash operating costs for 2014 expected to be around USD 20/Boe compared to about USD 24/Boe in Q3 2013.
- Better utilization of rigs; production in Mississippian region increased qoq in Q3 2013 despite a 15% reduction in rig count.
- Balance sheet improved after the disposal of Permian assets for USD 2.6bn in Q1 2013.

Key Risks

- Leverage poised to increase as planned capex is likely to substantially exceed organic cash flow through 2014.
- Exposure to volatile commodity prices; a significant drop in oil and gas prices could sharply weaken the group's profitability and hence ist credit metrics.
- SandRidge plans a capex outspend of about USD 700m-800m in 2014; the group will likely raise further debt.
- Most of the group's operations bear significant operational and execution risks.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
SANDRIDGE ENERGY INC (SD)	US80007PAL31	USD	8.750%	semi	15/01/2020	GLOBAL	fair	COMPANY GUARNT	B- / n.a. / B2	108.4	3.2	6.9%	2.2%	179	yes	450 m	1 + 1
SANDRIDGE ENERGY INC (SD)	US80007PAN96	USD	7.500%	semi	15/03/2021	GLOBAL	attractive	COMPANY GUARNT	B- / n.a. / B2	106.3	1.5	6.4%	5.8%	527	yes	1,174 m	1 + 1
SANDRIDGE ENERGY INC (SD)	US80007PAQ28	USD	8.125%	semi	15/10/2022	GLOBAL	fair	COMPANY GUARNT	B- / n.a. / B2	108.5	0.9	6.8%	6.2%	531	yes	750 m	1 + 1
SANDRIDGE ENERGY INC (SD)	US80007PAT66	USD	7.500%	semi	15/02/2023	GLOBAL	attractive	COMPANY GUARNT	B- / n.a. / B2	107.0	2.1	6.4%	6.1%	443	yes	825 m	1 + 1

Sector: Gaming, travel and leisure



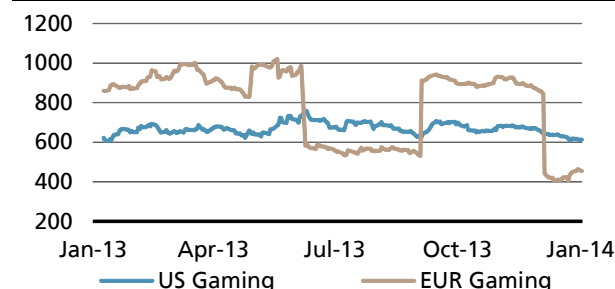
Sector description

The gaming, travel, and leisure sector in our covered universe largely consists of casino operators, car and equipment rental companies, travel agencies, and other leisure-related firms. The industry is heavily dependent on macroeconomic conditions and the development of disposable incomes. The business has strong seasonal attributes with a revenue and cash flow concentration in Q2 and Q3.

Performance and sector outlook

Sluggish growth in Europe still weighs on the tourism industry, which particularly affects car rental companies and travel intermediaries. We expect better demand from leisure travellers and non-airport customers for car rental companies to materialize in 2014, with Europe's economy showing signs of growth. For the gaming sector, we think that most of the growth will continue to come from Asia; Macau's gaming revenues are already up 16.7% in the first nine months yoy. Having said that, we acknowledge that such prospects don't come without challenges and are starting from the current, low base. We still see some headwinds due to high capital expenditures in the gaming industry, suppressed business travel in the car rental industry, and a shift to dynamic packaged tours for travel intermediaries.

OAS for the gaming sector



Source: Barclays, UBS, as of October 2013

Rental Auto/Equipment: AVIS BUDGET CAR RENTAL (BB-, stable / BB-, stable / B1, stable)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



The Avis Budget Group is a global car and truck rental company operating under the Avis and Budget brands. The company also runs a car sharing operation through Zipcar, which was acquired in early 2013. Avis Budget is currently active in about 175 countries and generated USD 7.5 bn as of LTM 2Q 2013.

Investment case

- One of the largest car rental companies in the world with supplementary businesses in car sharing and truck rentals.
- Good growth opportunities for Budget and Avis Europe as well as for newly acquired car sharing business Zipcar.
- Fleet cost reductions and synergies between brands should help to improve EBITDA margins further.
- We expect relatively strong cash flow generation, which could be used to pay off debt.

Key Risks

- Aggressive financial profile due to capital-intensive industry (USD 3.4bn corporate debt, 9.4bn fleet debt, 2bn operating leases).
- Higher dependency on on-airport revenues, which have lower margins.
- Significant downside risks due to the cyclical nature of the industry, price sensitivity and volatility in residual car values.
- Expected stock repurchases of USD 50 million; board is authorized to buy back up to USD 200 million though we see limited impact on the leverage

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
AVIS BUDGET FINANCE PLC (CAR)	XS0898656037	EUR	6.000%	semi	01/03/2021	Euro-Non\$	attractive	COMPANY GUARNT	B+ / BB- / B2	107.0	1.4	4.8%	4.3%	393	yes	450 m	100 + 1
AVIS BUDGET CAR/FINANCE (CAR)	US053773AT43	USD	4.875%	semi	15/11/2017	GLOBAL	illiq.	COMPANY GUARNT	B+ / BB- / B2	n.a.	0.2	n.a.	n.a.	n.a.	yes	300 m	2 + 1
AVIS BUDGET CAR RENTAL (CAR)	US053773AN72	USD	8.250%	semi	15/01/2019	GLOBAL	fair	COMPANY GUARNT	B+ / BB- / WR	107.0	3.0	6.5%	0.4%	16	yes	395 m	2 + 1
Company announced plans to call equivalent of EUR 200m using proceeds from an add-on issue to the 6% 2021 bond (XS0898656037).																	
AVIS BUDGET CAR RENTAL (CAR)	US053773AQ04	USD	9.750%	semi	15/03/2020	GLOBAL	fair	COMPANY GUARNT	B+ / BB- / B2	114.6	2.0	6.7%	2.0%	144	yes	223 m	2 + 1
AVIS BUDGET CAR/FINANCE (CAR)	USU05375AL12	USD	5.125%	semi	01/06/2022	EURO-DOLLAR	illiq.	COMPANY GUARNT	B+ / BB- / B2	n.a.	0.2	n.a.	n.a.	n.a.	yes	400 m	2 + 1
AVIS BUDGET CAR/FINANCE (CAR)	US053773AV98	USD	5.500%	semi	01/04/2023	GLOBAL	attractive	COMPANY GUARNT	B+ / BB- / B2	102.1	0.9	5.2%	5.5%	302	yes	500 m	2 + 1

Casino Hotels: BOYD GAMING (B, stable / CCC+, stable / B3, stable)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Boyd Gaming corporation is a diversified gaming operator with properties in several different US states, Atlantic City and Las Vegas. The company acquired Peninsula Gaming in 2012, which added five new properties to its portfolio. Boyd also has a 50% ownership in the Borgata Hotel Casino & Spa in Atlantic City in a joint venture with MGM as well as a 10% stake in a joint venture with bwin to offer online poker in New Jersey. At the end of 2013 the company operated 21 gaming facilities and generated USD 2.8bn in net revenues.

Investment case

- US gaming operator with geographically diversified properties in the US regional gaming markets as well as destination gaming resorts of Atlantic City and Las Vegas.
- Management strongly focused on FCF generation to pay down debt and improve capital structure.
- Organic growth potential through company's 10% stakes in a joint venture with bwin, which offers online poker in New Jersey.
- Adequate liquidity profile, with USD 178m in cash and USD 280m available under its credit facility.

Key Risks

- Currently suffers from a challenging environment in the US regional gaming markets, low growth in Las Vegas and a competitive market in Atlantic City.
- Highly leveraged company (7.0x for Boyd and 6.2x at Peninsula as of FYE 2013), which will likely persist going forward.
- Management is still looking for organic and acquisitive growth opportunities, which could put pressure on the company's credit metrics.
- Substantial amount of secured debt at both Boyd and Peninsula, which has seniority claim on the assets.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
PENINSULA GAMING LLC/COR (BYD)	USU1021QAA05	USD	8.375%	semi	15/02/2018	EURO-DOLLAR	illiq.	COMPANY GUARNT	CCC+ / CCC+ / Caa1	n.a.	2.4	n.a.	n.a.	n.a.	yes	350 m	2 + 1
BOYD GAMING CORP (BYD)	US103304BG55	USD	9.125%	semi	01/12/2018	GLOBAL	fair	COMPANY GUARNT	CCC+ / CCC+ / B3	107.6	4.5	7.1%	2.9%	259	yes	500 m	2 + 1
BOYD GAMING CORP (BYD)	US103304BJ94	USD	9.000%	semi	01/07/2020	GLOBAL	fair	COMPANY GUARNT	CCC+ / CCC+ / B3	111.1	3.7	6.7%	5.4%	481	yes	350 m	2 + 1

Travel Services: CARLSON WAGONLIT (B+, stable / n.a. / B1, stable)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Carlson Wagonlit is a leading business travel management company with a global presence in more than 150 countries. The company offers various travel related services such as program optimization, safety & security and travel management. Carlson Wagonlit is partly owned by Carlson (global hotel, restaurant and travel company) and Chase Investment (affiliate of JPMorgan Chase), which hold 55% and 45%, respectively. As of FYE 2013 the company generated about USD 1.7bn in revenues, employing nearly 20,000 people.

Investment case

- Leading business travel management company with global presence offering a wide variety of complimentary services.
- Diversified customer base spanning various industries as well as governmental agencies (e.g. US Department of Defense) with high customer retention rate (98%).
- Global Business Travel Association (GBTA) predicts an 8.2% rise in business travel spending in 2014, though lower growth in mature markets.
- Healthy liquidity with USD 200m in cash and USD 85.9m available under the revolving credit facility.

Key Risks

- Company operates in a highly cyclical and fragmented industry, which has seen a decline in recent years as companies tried to cut costs and governments engaged in austerity measurements.
- Increasing price pressure from clients and suppliers coupled with greater competition from online agencies.
- Fairly high leverage (4.5 as of FYE 2013) and free cash flows are usually used for acquisitions and dividend payments.
- Bonds are only guaranteed by US operating subsidiary, which account for 46% of EBITDA (relevant in case of a bankruptcy).

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
CARLSON WAGONLIT BV (CARWAG)	XS0652911776	EUR	7.500%	semi	15/06/2019	EURO-ZONE	attractive	SR SECURED	B+ / n.a. / B1	109.2	3.4	5.4%	3.7%	321	yes	300 m	100 + 1
CARLSON WAGONLIT BV (CARWAG)	USN1897AAB28	USD	6.875%	semi	15/06/2019	EURO-DOLLAR	illiq.	SR SECURED	B+ / n.a. / B1	n.a.	3.1	n.a.	n.a.	n.a.	yes	465 m	200 + 1

Gambling (Non-Hotel): CIRSA GAMING CORPORATION (B+, stable / n.a. / B2, stable)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Cirsa is a privately owned gaming company with operations in Spain, Italy and Latin America. It derives its revenues from slot machines, bingo halls, casinos and lottery terminals, as well as from its B2B division, which manufactures and distributes slot machines. As of June 2013 Cirsa operated 69,046 slot machines, 113 casinos, 80 bingo halls, 476 betting locations and 106 arcades.

Investment case

- Leading gaming operator in Spain, Italy and Latin America with geographically diversified revenues and assets.
- Integrated operator, with own slot machine manufacturing, giving it greater flexibility to react to changing market trends.
- Current net leverage at 2.9x is relatively low for the company's credit rating with further decrease expected to reach the target of 2.0x by 2016.
- Margin improvements through ongoing cost discipline, shift to higher-yielding operations (Latam casino) and discontinuation of underperforming slot machines.

Key Risks

- Still struggling with the weak economic environment in its main markets in Spain and Italy as well as the high inflation in Argentina.
- Exposed to regulatory changes such as the increase on VLT (video lottery) gaming taxes in Italy or the smoking ban in Spain.
- Company already relies heavily on upstreaming funds from its Latam subsidiaries to service debt.
- Exposed to political risks in emerging markets, foreign exchange (FX) fluctuations and FX controls in LATAM and especially Argentina.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
CIRSA FUNDING LUXEMBOURG (CIRSA)	XS0506591519	EUR	8.750%	semi	15/05/2018	EURO-ZONE	expensive	COMPANY GUARNT	B+ / n.a. / B3	104.8	0.3	7.3%	2.5%	220	yes	900 m	50 + 1

Rental Auto/Equipment: EUROPCAR GROUPE (B, stable / n.a. / B3, stable)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Europcar is the leading car rental company for passenger vehicles and light trucks in Europe. The French company currently operates in more than 10,000 locations with an average fleet of 186,000 vehicles in 2012 and generated revenues of almost EUR 2bn. As of 2006 Europcar is owned by Eurazeo, a French investment company.

Investment case

- Leading position and strong brand recognition in Europe with a large and modern fleet (average age of 5.7 months)
- Currently undergoing a transformation plan ("Fast Lane"), which aims to provide benefits of EUR 44 million by the end of 2014
- Improved liquidity profile and maturity extension through renegotiation of credit facilities, leaving no significant near-term maturities before 2015
- Highly flexible fleet and low residual value exposure through repurchase agreements with auto manufacturers

Key Risks

- Challenging operating environment in a cyclical and highly competitive industry
- Capital intensive business model, leaves the company heavily dependent on credit facilities to finance its fleet
- Exposed to large swings in working capital in combination with high financial leverage and low interest cover
- Smaller scale and regional diversification compared to Hertz or Avis Budget Group

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
EUROPCAR GROUPE SA (EUROCA) Equity claw back of up to 40% @ 111.50 (100% in case of an IPO)	XS0779246478	EUR	11.500%	semi	15/05/2017	EURO MTN	fair	SECURED	B- / n.a. / Caa1	116.2	0.4	5.5%	n.a.	510		324 m	100 + 1
EC FINANCE PLC (EUROCA)	XS0521356567	EUR	9.750%	semi	01/08/2017	Euro-Non\$	fair	SR SECURED	B / n.a. / B3	106.8	3.1	7.3%	-1.3%	-164	yes	350 m	50 + 1
EUROPCAR GROUPE SA (EUROCA)	XS0562670181	EUR	9.375%	semi	15/04/2018	EURO-ZONE	fair	SUBORDINATED	CCC+ / n.a. / Caa2	107.7	1.1	7.1%	0.0%	-34	yes	400 m	100 + 1

E-Commerce/Services: EXPEDIA (BBB-, stable / BBB-, stable / Ba1, stable)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Expedia is one of the largest online travel agencies in the world with USD 34bn in gross bookings that translated into annual revenues of USD 4bn, as of 2012. Through its various brands Expedia offers platforms to book accommodations, rental cars, cruises and air plane tickets. Expedia currently operates under the Expedia brands, Hotels.com, Hotwire, eLong.com, trivago, venere, carrentals.com and classic vacations enabling customers to choose from more than 240,000 properties and 400 airlines.

Investment case

- Leading online travel agency (OTA) with global presence in 70 countries and strong brand recognition.
- Good growth prospects due to less mature online travel markets in Europe and Asia as well as cannibalization from retail travel stores given the higher price transparency and wider product range.
- Purchase of the Trivago share (62%) and marketing partnership with Travelocity should also help top line growth.
- Low leverage (2.0x), strong EBITDA to operating cash flow conversion of approximately 95%.

Key Risks

- Operates in a highly competitive and cyclical industry with relatively low barriers to entry.
- Expedia faces increasing competition from other OTAs, meta-search sites and an increasing trend of in-housing by travel suppliers (hotels, airlines etc) as well as Google's advance into the OTA space.
- Expedia faces high sector revenue growth pressure, which might force the company to engage in debt-funded opportunistic M&A activities, which could put pressure on its credit metrics.
- Shareholder friendly policy with USD 130m paid as dividends and USD 1.5bn in cash used for share repurchases.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
EXPEDIA INC (EXPE)	US30212PAB13	USD	7.456%	semi	15/08/2018	GLOBAL	fair	COMPANY GUARNT	BBB- / BBB- / Ba1	118.3	2.1	2.8%	n.a.	145		500 m	2 + 1
EXPEDIA INC (EXPE)	US30212PAH82	USD	5.950%	semi	15/08/2020	GLOBAL	fair	COMPANY GUARNT	BBB- / BBB- / Ba1	112.8	1.7	3.6%	n.a.	165		750 m	2 + 1

Rental Auto/Equipment: HERTZ GLOBAL HOLDINGS (B+, stable / n.a. / B2, stable)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Hertz is a global car-rental and leasing company operating under the Hertz, Dollar and Thrifty brands (Donlen Corp for leasing). Its car-rental business has around 10,500 branches in 150 countries and generated USD 8.6 bn as at LTM June 2013. Hertz is also active in the equipment-rental business, which adds another USD 1.5bn in revenues and is among the largest in the US and Canada.

Investment case

- Second largest car rental company in the world in terms of revenues (after Enterprise with USD 13.5bn) with increasing exposure to the higher-yielding leisure segment through the acquisition of Dollar Thrifty.
- Cost reduction through extensive use of non-program cars (no sell back agreements with auto manufacturers), video kiosk technology and increasing use of alternative resale channels.
- Good cash flow generation that can be used to reduce debt as management has set the target of achieving IG metrics of net corporate leverage < 1.6x (3.6x as of LTM June 2013).
- Growth opportunities in equipment rental with US economy growing and a surge in construction activities.

Key Risks

- Operates in a highly cyclical industry with strong seasonal components, which can lead to pronounced working capital swings.
- Highly price sensitive, transparent sector with commodity-like products and an oligopolistic structure (main competitors: Avis, Enterprise, in addition to Europcar and Sixt in Europe).
- Higher exposure to non-program cars, leaving the company vulnerable to swings in secondary car-market prices and the risk of over-fleeting in the event of an economic downturn.
- Substantial corporate debt on ist balance sheet (USD 7.5bn) and recent downward revision of 2013 guidance.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
HERTZ HOLDGS NETHERLANDS (HTZ)	XS0995045951	EUR	4.375%	semi	15/01/2019	EURO-ZONE	fair	COMPANY GUARNT	B / n.a. / B2	103.6	2.3	3.5%	n.a.	284		425 m	100 + 1
HERTZ CORP (HTZ)	US428040CD99	USD	7.500%	semi	15/10/2018	GLOBAL	fair	COMPANY GUARNT	B / WD / B2	106.1	0.9	5.9%	1.1%	82	yes	700 m	2 + 1
HERTZ CORP (HTZ)	US428040CJ69	USD	6.750%	semi	15/04/2019	GLOBAL	fair	COMPANY GUARNT	B / NR / B2	107.6	0.8	5.0%	1.8%	134	yes	1,250 m	2 + 1
HERTZ CORP (HTZ)	US428040CP20	USD	5.875%	semi	15/10/2020	GLOBAL	fair	COMPANY GUARNT	B / n.a. / B2	106.5	0.7	4.7%	4.1%	362	yes	700 m	2 + 1
HERTZ CORP (HTZ)	US428040CG21	USD	7.375%	semi	15/01/2021	GLOBAL	fair	COMPANY GUARNT	B / WD / B2	110.7	2.7	5.4%	2.8%	229	yes	499 m	2 + 1
HERTZ CORP (HTZ)	US428040CN71	USD	6.250%	semi	15/10/2022	GLOBAL	fair	COMPANY GUARNT	B / n.a. / B2	107.9	0.7	5.1%	4.6%	352	yes	500 m	2 + 1

REITS-Hotels: HOST HOTELS & RESORTS (BB+, stable / BBB-, stable / Baa3, stable)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Host Hotels & Resorts is a real estate investment trust (REIT) that owns various luxury and upper upscale hotels. Host does not operate the hotels it owns but signs management or operating agreements with well-known hotel brands such as Marriott, Westin and Hyatt, among others. As of LTM 3Q 2013 the company generated about 5.7bn in revenues from its 118 properties.

Investment case

- Premier hospitality real estate company and leading owner of luxury and upper upscale hotels.
- Strong asset base with 89% of the properties being unencumbered.
- High occupancy and daily room rates, helped by high end market positioning and prime location of hotels, provides resilience through economic cycles.
- Improving financial margins and leverage supported by strong liquidity with USD 354m in cash and USD 771m available under credit facilities.

Key Risks

- Highly cyclical and capital intensive industry that can lead to cash flow and margin volatility.
- Higher cluster risk with 95% of revenues generated in the US.
- Due to high shareholder distribution of earnings, the company depends on external sources of capital or asset disposals for expansion.
- Luxury segment requires a large amount of maintenance capex and regular costly refurbishments.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
HOST HOTELS & RESORTS LP (HST)	US44107TAM80	USD	5.875%	semi	15/06/2019	GLOBAL	fair	SR UNSECURED	BBB / BBB- / Baa3	108.5	2.6	4.0%	0.5%	-5	yes	500 m	2 + 1
HOST HOTELS & RESORTS LP (HST)	US44107TAK25	USD	6.000%	semi	01/11/2020	GLOBAL	illiq.	COMPANY GUARNT	BBB / BBB- / Baa3	n.a.	1.9	n.a.	n.a.	n.a.	yes	500 m	2 + 1
HOST HOTELS & RESORTS LP (HST)	US44107TAQ94	USD	6.000%	semi	01/10/2021	GLOBAL	fair	SR UNSECURED	BBB / BBB- / Baa3	115.8	0.9	3.5%	3.5%	131	yes	300 m	2 + 1
HOST HOTELS & RESORTS (HST)	US44107TAS50	USD	5.250%	semi	15/03/2022	GLOBAL	fair	SR UNSECURED	BBB / BBB- / Baa3	110.8	1.1	3.6%	3.6%	135	yes	350 m	2 + 1
HOST HOTELS & RESORTS LP (HST)	US44107TAT34	USD	4.750%	semi	01/03/2023	GLOBAL	fair	COMPANY GUARNT	BBB / BBB- / Baa3	107.0	1.1	3.8%	3.8%	137	yes	450 m	2 + 1
HOST HOTELS & RESORTS LP (HST)	US44107TAU07	USD	3.750%	semi	15/10/2023	GLOBAL	fair	SR UNSECURED	BBB / BBB- / Baa3	99.7	0.4	3.8%	3.8%	124	yes	400 m	2 + 1

Casino Hotels: MGM RESORTS (B+, stable / B+, positive / B3, stable)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



MGM Resorts International is one of the world's leading gaming and hospitality companies with a strong footprint in Las Vegas and further developments in the US regionals as well as Asia. It is also one of the sub-concession holders in Macau in a joint venture with Pansy Ho, and operates the Las Vegas City Center in collaboration with Dubai World. It currently owns and operates 15 properties, including the famous Bellagio, Mirage and MGM Grand casino resorts.

Investment case

- Well-recognized resorts, including Bellagio, MGM Grand, or Mandalay Bay, as well as a large customer loyalty program (M life; 60m customers of which 30m are active).
- Exposure to fast-growing Macau market with the MGM Grand Macau and another USD 2.5bn resort in the pipeline (expected to open in early 2016).
- Comparatively robust balance sheet and successful deleveraging since the financial crisis.
- Strong convention activities and possible beneficiary of the legalization of online gaming in New Jersey.

Key Risks

- Larger cluster risk, as 51% of revenues is still derived from Las Vegas.
- Relatively large amount of outstanding debt (USD 13.1bn), causing almost USD 1bn in interest expenses.
- Increasing cannibalization and slower growth in the US regional markets.
- Exposed to political risk in Macau due to potentially stricter Visa restrictions for Chinese citizens.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
MGM RESORTS INTL (MGM)	US552953AR22	USD	6.625%	semi	15/07/2015	GLOBAL	expensive	COMPANY GUARNT	B+ / B+ / B3	106.2	2.4	1.1%	n.a.	54		875 m	1 + 1
MGM RESORTS INTL (MGM)	US552953AY72	USD	6.875%	semi	01/04/2016	GLOBAL	expensive	COMPANY GUARNT	B+ / B+ / B3	109.5	1.1	1.6%	n.a.	108		238 m	1 + 1
MGM RESORTS INTL (MGM)	US55303QAC42	USD	10.000%	semi	01/11/2016	GLOBAL	fair	COMPANY GUARNT	B+ / B+ / B3	119.3	0.7	1.8%	n.a.	113		500 m	2 + 1
MGM RESORTS INTL (MGM)	US552953BW08	USD	8.625%	semi	01/02/2019	GLOBAL	fair	COMPANY GUARNT	B+ / B+ / B3	120.0	2.8	3.9%	n.a.	235		850 m	2 + 1
MGM RESORTS INTL (MGM)	US552953BY63	USD	6.750%	semi	01/10/2020	GLOBAL	attractive	COMPANY GUARNT	B+ / B+ / B3	111.4	1.1	4.7%	n.a.	265		1,000 m	2 + 1
MGM RESORTS INTL (MGM)	US552953CA78	USD	6.625%	semi	15/12/2021	GLOBAL	fair	COMPANY GUARNT	B+ / B+ / B3	111.6	3.0	4.8%	n.a.	251		1,250 m	2 + 1

Gambling (Non-Hotel): PINNACLE ENTERTAINMENT (BB-, stable / BB-, stable / B2, stable)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Pinnacle Entertainment, Inc. operates and develops casinos, related hotel and entertainment facilities. The company is currently focused on the US regionals without any casinos in Las Vegas, Atlantic City or outside the US. Pinnacle operates 14 different gaming properties in seven different US states in addition to a racetrack. In August 2013 Pinnacle acquired Ameristar for USD 2.8bn, which effectively doubles the size of its operation.

Investment case

- Large and regionally diversified gaming operator with high quality properties in jurisdictions that have limited gaming licenses and hence moderate risk from new competitors.
- Ameristar acquisition provides large cost synergies (~USD 40m p.a.) and should improve margins and competitive position.
- Management is committed to reducing leverage with proceeds from asset sales and free cash flow generation.
- Sound liquidity with USD 192m in cash on hand and more than USD 500m available under the revolving credit facility as of FYE 2013.

Key Risks

- Continued decline in gaming revenues in various US regional markets and ongoing decrease in discretionary spending on entertainment.
- No exposure to high growth markets in Asia and stronger competition from Native American Casinos.
- Highly leveraged after the Ameristar acquisition and M&A risk remains as industry consolidation continues.
- Substantial amount of secured debt (RCF, term loans), which rank senior to the bonds.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
PINNACLE ENTERTAINMENT (PNK)	US723456AN90	USD	8.750%	semi	15/05/2020	GLOBAL	illiq.	COMPANY GUARNT	B / B- / B3	n.a.	0.3	n.a.	n.a.	n.a.	yes	350 m	2 + 1
PINNACLE ENTERTAINMENT (PNK)	US03070QAN16	USD	7.500%	semi	15/04/2021	GLOBAL	illiq.	COMPANY GUARNT	B+ / BB- / B2	n.a.	0.9	n.a.	n.a.	n.a.	yes	1,039 m	2 + 1
PNK FINANCE CORP (PNK)	USU7264RAA15	USD	6.375%	semi	01/08/2021	EURO-DOLLAR	illiq.	COMPANY GUARNT	B+ / BB- / B2	n.a.	2.1	n.a.	n.a.	n.a.	yes	850 m	2 + 1

Cruise Lines: ROYAL CARIBBEAN (BB, positive / n.a. / Ba1, stable)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Royal Caribbean Cruises is the second-largest cruise company in the world with a capacity of approximately 98,400 berths. The company operates a fleet of 41 ships under six different brands, namely Royal Caribbean International, Celebrity Cruises, Pullmantur, Azamar Club Cruises and CDF Croisieres de France as well as a joint venture with Tui Cruises.

Investment case

- Second-largest cruise company (20-25% of total berths*) in the world after Carnival with global diversification and a new fleet (13 ships newly revitalized).
- Continuous deleveraging since 2009 with USD 550m debt reduction and EBITDA increase of 5% as of LTM 3Q'13 compared to FY 2012.
- Industry is expected to see stronger growth in Europe, Latam and APAC in 2014, with moderate increase in net yields (3%-4%) helped by lower capacity growth.
- Adequate liquidity of USD 2.2bn, including USD 210m in cash and a 2bn revolving credit facility.

Key Risks

- Highly cyclical and competitive industry with strong seasonal components and a lack of flexibility regarding supply.
- Large capex exposures due to capital intensiveness of the industry with five new ships being delivered within the next 3 years (accumulated capex of USD 5.1bn).
- Exposed to event risks such as the fire on the Allure of the Seas and the sinking of the Costa Concordia.
- Recent increase of dividend payments will likely slow down debt deleveraging and return to investment grade.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
ROYAL CARIBBEAN CRUISES (RCL)	US780153AT90	USD	11.875%	semi	15/07/2015	GLOBAL	fair	SR UNSECURED	BB / n.a. / Ba1	112.1	4.4	1.0%	n.a.	47		279 m	1 + 1
ROYAL CARIBBEAN CRUISES (RCL)	US780153AR35	USD	7.250%	semi	15/06/2016	GLOBAL	illiq.	SR UNSECURED	BB / n.a. / Ba1	n.a.	3.3	n.a.	n.a.	n.a.		350 m	1 + 1
ROYAL CARIBBEAN CRUISES (RCL)	US780153AJ19	USD	7.250%	semi	15/03/2018	GLOBAL	fair	SR UNSECURED	BB / n.a. / Ba1	116.5	1.5	2.6%	n.a.	143		150 m	1 + 1
ROYAL CARIBBEAN CRUISES (RCL)	US780153AU63	USD	5.250%	semi	15/11/2022	GLOBAL	fair	SR UNSECURED	BB / n.a. / Ba1	104.5	0.2	4.6%	n.a.	217		650 m	2 + 1
ROYAL CARIBBEAN CRUISES (RCL)	US780153AG79	USD	7.500%	semi	15/10/2027	GLOBAL	illiq.	SR UNSECURED	BB / n.a. / Ba1	n.a.	0.9	n.a.	n.a.	n.a.		300 m	1 + 1

Travel Services: THOMAS COOK GROUP (B, positive / B+, positive / n.a.)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Thomas Cook is the second-largest travel intermediary in Europe by revenues, offering mainly pre-packaged and individually structured holiday tours. The company operates a fleet of 91 aircraft as well as more than 300 travel stores as well as several hotels. As of FY 2012 Thomas Cook generated GBP 9.5bn in revenues with the UK, Germany and the Scandinavian countries being its major markets.

Investment case

- One of the leading travel intermediaries in Europe with strong brand recognition
- Improved financial structure through GBP 425m equity raise, asset disposals and debt reduction
- Fast execution of cost savings, which targets GBP 330m by 2015 and an increase in profit margins
- Adapting to structural changes by closing up to 200 high street stores in 2013

Key Risks

- Significant pricing pressure and competition from online intermediaries
- Weak business in Canada, France and Russia as well as the UK core market
- High financial leverage with substantial refinancing risk in the mid term
- Still high execution risk and restructuring costs associated with the company's cost reduction program

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
THOMAS COOK GROUP PLC (TCGLN)	XS0504303164	EUR	6.750%	annu	22/06/2015	Euro-Non\$	fair	COMPANY GUARNT	B / B+ / n.a.	104.9	0.6	2.0%	n.a.	143		400 m	50 + 1
THOMAS COOK FINANCE PLC (TCGLN)	XS0937169570	EUR	7.750%	semi	15/06/2020	EURO MTN	attractive	COMPANY GUARNT	B / B+ / n.a.	111.2	3.5	5.5%	3.8%	349	yes	525 m	100 + 1
THOMAS COOK GROUP PLC (TCGLN)	XS0504306001	GBP	7.750%	annu	22/06/2017	EURO MTN	attractive	COMPANY GUARNT	B / B+ / n.a.	111.2	0.7	3.8%	n.a.	224		300 m	50 + 1

Rental Auto/Equipment: UNITED RENTALS (BB-, stable / n.a. / n.a.)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



United Rentals is the largest equipment rental company in the world with 822 branches across North America. The company offers equipment for construction, industrial use and homeowners as well as Trench Safety, Power and HVAC (heat, ventilation, air condition). Following its acquisition of RSC Holding in 2012 the company employs a fleet of USD 8bn and generated revenues of USD 4.9bn, as of LTM 3Q 2013.

Investment case

- Leading North American equipment rental company with significant economies of scale and good growth prospects.
- Successful acquisition and integration of RSC Holding led to a substantial increase in margins due to synergies (branch consolidation 34%, corporate overhead 27%, efficiencies 29%) and greater bargaining power with equipment manufacturers.
- Increasing use of higher yielding OER (owned-equipment rental) in comparison to rental supported by recovery in used equipment prices (+42% since 2Q 2009).
- Target 2.5x-3.5x gross leverage and willingness to tender for near-term maturities to refinance high coupon debt.

Key Risks

- Increasing capex (USD 1.6bn guidance for 2013) and larger proportion of owned fleet leave the company exposed in terms of lower demand.
- Management recently approved a USD 500m share buyback plan over the next 18 months, which could delay deleveraging.
- Company management recently guided that it would still be open for further acquisitions, which would likely be debt-funded given the relatively low FCF.
- While liquidity should be adequate for the next 12, we note that it is getting thinner with USD 125m in cash and about USD 370m under its ABL (asset-based-lending) revolver facility remaining (out of USD 1.9bn).

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
UNITED RENTALS NORTH AM (URI)	US911365AY07	USD	5.750%	semi	15/07/2018	GLOBAL	fair	SECURED	BB+ / n.a. / Ba2	107.4	2.1	3.8%	1.6%	112	yes	750 m	2 + 1
UNITED RENTALS NORTH AM (URI)	US911365BA12	USD	7.375%	semi	15/05/2020	GLOBAL	fair	COMPANY GUARNT	BB- / n.a. / B2	111.4	0.2	5.1%	3.2%	267	yes	748 m	2 + 1
UNITED RENTALS NORTH AM (URI)	US78108AAE47	USD	8.250%	semi	01/02/2021	GLOBAL	fair	SR UNSECURED	BB- / n.a. / B2	112.7	2.7	5.9%	2.8%	232	yes	648 m	2 + 1
UNITED RENTALS NORTH AM (URI)	US911365AZ71	USD	7.625%	semi	15/04/2022	GLOBAL	fair	COMPANY GUARNT	BB- / n.a. / B2	113.3	0.9	5.5%	3.9%	309	yes	1,325 m	2 + 1

Gambling (Non-Hotel): WILLIAM HILL PLC (BB+, stable / n.a. / Ba1, stable)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



William Hill is one of the UK's largest gaming and sports betting companies with 2,400 retail shops and strong exposure to the online market. While the company is also active in various other countries such as the US and Australia, it still derives the majority of its GBP 1.4bn in revenues from its UK business.

Investment case

- One of the largest sports betting operators in the UK with leading market shares in numbers of retail shops (24%) and online sports betting revenues (18%).
- Strong brand recognition and resilient business model that benefits from high barriers to entry due to capital intensiveness (for retail stores) and licensing requirements.
- Stable cash flow generation, low leverage and comfortable headroom under bank facility covenants (net leverage <3.5x and interest cover >3.0x).
- International expansion and online sport betting provide further growth opportunities.

Key Risks

- Exposed to regulatory changes in the UK especially in regards to licensing and taxes (new machine games duty could cost up to GBP 12.5m annually according to company estimates).
- Decline in EBITDA margins due to higher marketing and IT-related costs in combination to an expected increase in capex (GBP 70-90m) could lead to decreasing free cash flows.
- Large concentration risk in the UK, which accounts for some 91% of revenues (although overseas expansion strategy should mitigate the risk over time).
- Aggressive expansion strategy and shareholder friendly financial policy should limit meaningful deleveraging and rating upgrades in the near term.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
WILLIAM HILL PLC (WMH)	XS0466169876	GBP	7.125%	semi	11/11/2016	EURO MTN	fair	COMPANY GUARNT	BB+ / n.a. / Ba1	111.4	0.3	2.3%	n.a.	100		300 m	50 + 1
WILLIAM HILL PLC (WMH)	XS0941604307	GBP	4.250%	semi	05/06/2020	Euro-Non\$	fair	COMPANY GUARNT	BB+ / n.a. / Ba1	99.5	2.0	4.3%	n.a.	210		375 m	100 + 1

Casino Hotels: WYNN RESORTS (BB+, stable / BB, stable / Ba1, stable)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Wynn Resorts is one of the largest luxury casino operators in the world with amenities in Las Vegas and Macau. The company generated more than USD 1.5bn in EBITDA last year with only three properties, making their casino resorts some of the most profitable ones in the world.

Investment case

- Well-recognized brand name with high-quality assets and experienced management team.
- Strong position in large, growing Macau market with a new property to be opened in 2016.
- No material debt maturities in the near term and solid liquidity position with USD 2bn in cash.
- Higher EBITDA margin and lower leverage than ist peers.

Key Risks

- Concentration risk, as the company is only exposed to the Las Vegas and Macau markets.
- Large capex exposure due to developments in Macau, with possible further constructions in the US regionals and Canada.
- Limited upside potential for its current credit rating due to high leverage for ist rating, large capex, and high dividends.
- Stronger competition in the Macau market as operators expand credit lines and incentives for junket business.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
WYNN LAS VEGAS LLC/CORP (WYNN)	US983130AP01	USD	7.875%	semi	01/05/2020	GLOBAL	fair	UNSECURED	BBB- / BB+ / n.a.	109.6	0.6	5.9%	1.6%	105	yes	381 m	2 + 1
WYNN LAS VEGAS LLC/CORP (WYNN)	US983130AR66	USD	7.750%	semi	15/08/2020	GLOBAL	fair	UNSECURED	BBB- / BB+ / Ba2	110.6	2.2	5.7%	2.0%	144	yes	1,320 m	1 + 1
WYNN MACAU LTD (WYNN)	USG98149AA89	USD	5.250%	semi	15/10/2021	EURO-DOLLAR	illiq.	SR UNSECURED	BB / BB / Ba2	n.a.	0.6	n.a.	n.a.	n.a.	yes	600 m	200 + 1
WYNN LAS VEGAS LLC/CORP (WYNN)	US983130AT23	USD	5.375%	semi	15/03/2022	GLOBAL	attractive	UNSECURED	BBB- / BB+ / n.a.	104.6	1.1	4.7%	4.5%	261	yes	897 m	2 + 1
WYNN LAS VEGAS LLC/CORP (WYNN)	USU98347AJ32	USD	4.250%	semi	30/05/2023	EURO-DOLLAR	illiq.	SR UNSECURED	BBB- / BB / n.a.	n.a.	2.1	n.a.	n.a.	n.a.	yes	500 m	2 + 1

Sector: Healthcare



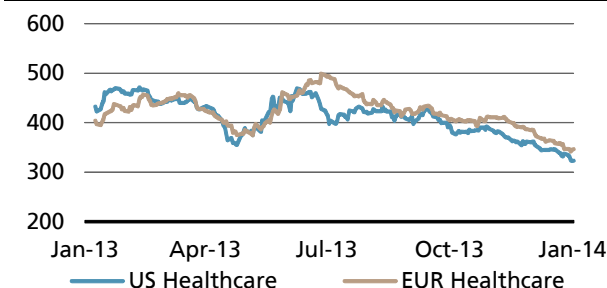
Sector description

Healthcare is traditionally one of the more defensive sectors that benefits from stable demand in mature markets and on-going growth in emerging markets. Sector challenges come in the form of Government budget constraints and plans to reduce reimbursements for services over time (particularly in the US). Thus there is a need for healthcare providers to manage and reduce costs which has driven recent M&A activity as companies seek to benefit from scale. Within the pharmaceutical segment growth continues to be driven by new product launches as well as entry into new geographies and emerging markets.

Performance and sector outlook

The Healthcare sector is set to benefit from a number of factors over the near to medium term including an ageing population (especially in more mature markets) and improving access to care in developing markets. US healthcare reforms should provide further positive benefits for certain healthcare providers especially those that have historically suffered from bad debts arising from the treatment of uninsured patients. Debt funded M&A activity together with shareholder friendly actions will likely limit the ratings upside potential within the sector. The pharmaceutical segment should remain stable although patent expiries and generic competition will continue to challenge certain players.

OAS for the healthcare sector



Source: Barclays, UBS, as of October 2013

Consulting Services: CEGEDIM SA (B+, stable / n.a. / n.a.)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Cegedim is a publicly listed global technology and services company that specializes in the healthcare sector. The company supplies technological tools, specialized software, data flow management services and databases that serve the healthcare industry, including healthcare professionals, insurance companies and life science companies. The firm was established in 1969 and operates in more than 70 countries.

Investment case

- Leading provider of technology and information services to the healthcare industry, with diverse product offerings
- Good geographic diversification, with customers in over 70 countries on 5 continents.
- Established and diverse customer base that includes all the global top 25 pharmaceutical companies (as measured by revenues).
- Longstanding shareholder support from company founder and his family, which in recent years have agreed to several dividend cuts.

Key Risks

- Seasonal business, which can impact cash-flows and working capital.
- Complex software, together with risk of system disruptions and data errors, increases operational and reputational risk.
- Investment in capex and product innovation may not bear fruit and may delay deleveraging.
- Opportunistic bolt-on acquisitions could delay deleveraging plans but could also provide access to new geographical locations.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
CEGEDIM SA (CGMFP)	FR0010925172	EUR	7.000%	semi	27/07/2015	EURO-ZONE	illiq.	SR UNSECURED	B+ / n.a. / n.a.	n.a.	2.3	n.a.	n.a.	n.a.		63 m	50 + 50
CEGEDIM SA (CGMFP)	XS0906984272	EUR	6.750%	semi	01/04/2020	EURO-ZONE	fair	SR UNSECURED	B+ / n.a. / n.a.	105.7	1.1	5.6%	6.0%	470	yes	425 m	100 + 1

Dialysis Centers: FRESenius MEDICAL CARE (BB+, positive / BB+, positive / Ba1, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Fresenius Medical Care is the world's leading provider of kidney dialysis services. The company manufactures and distributes equipment and products used in the treatment of dialysis patients, and offers clinical laboratory testing and diagnostic testing services. The company also offers other related services, including home infusion, respiratory therapy, ultrasound, and echocardiography. The company operates worldwide.

Investment case

- World's largest provider of renal care services and leading provider of dialysis products with a 33% market share.
- Very high barriers to entry through regulatory requirements and technical know-how.
- Non-cyclical revenues, with patients requiring regular treatment.
- Sales growth should be supported by favorable demographic trends including an ageing population and increasing incidence of disease.

Key Risks

- Tightening healthcare budgets, austerity measures, and falling US reimbursement rates could impact revenues and margins.
- High dependency on the US market, though this is mitigated by the company's overseas expansion strategy.
- Strategy to pursue growth opportunities with debt-financed acquisitions.
- Leverage remains relatively high and could limit ratings upside potential.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
FMC FINANCE VI SA (FMEGR)	XS0477568637	EUR	5.500%	semi	15/07/2016	EURO-ZONE	expensive	COMPANY GUARNT	BB+ / n.a. / n.a.	109.4	2.0	1.0%	n.a.	65		250 m	1 + 1
FMC FINANCE VIII SA (FMEGR)	XS0675221419	EUR	6.500%	semi	15/09/2018	EURO-ZONE	fair	COMPANY GUARNT	BB+ / n.a. / Ba2	118.9	1.3	1.9%	n.a.	124		400 m	1 + 1
FMC FINANCE VIII SA (FMEGR)	XS0723509104	EUR	5.250%	semi	31/07/2019	EURO MTN	fair	COMPANY GUARNT	BB+ / n.a. / Ba2	113.9	1.7	2.4%	n.a.	158		250 m	1 + 1
FMC FINANCE VII SA (FMEGR)	XS0576395478	EUR	5.250%	semi	15/02/2021	EURO-ZONE	fair	COMPANY GUARNT	BB+ / n.a. / Ba2	114.2	1.5	2.9%	n.a.	182		300 m	1 + 1
FRESenius MED CARE US (FMEGR)	US35803QAD97	USD	6.875%	semi	15/07/2017	GLOBAL	fair	COMPANY GUARNT	BB+ / n.a. / Ba2	114.5	2.5	2.1%	n.a.	112		500 m	75 + 1
FRESenius MED CARE US (FMEGR)	USU31434AA85	USD	6.500%	semi	15/09/2018	EURO-DOLLAR	illiq.	COMPANY GUARNT	BB+ / n.a. / Ba2	n.a.	1.3	n.a.	n.a.	n.a.		400 m	2 + 1
FRESenius MED CARE II (FMEGR)	USU31434AB68	USD	5.625%	semi	31/07/2019	EURO-DOLLAR	illiq.	COMPANY GUARNT	BB+ / n.a. / Ba2	n.a.	1.8	n.a.	n.a.	n.a.		800 m	2 + 1
FRESenius MED CARE US (FMEGR)	USU31433AA03	USD	5.750%	semi	15/02/2021	EURO-DOLLAR	illiq.	COMPANY GUARNT	BB+ / n.a. / Ba2	n.a.	1.6	n.a.	n.a.	n.a.		650 m	2 + 1
FRESenius MED CARE II (FMEGR)	USU31434AC42	USD	5.875%	semi	31/01/2022	EURO-DOLLAR	illiq.	COMPANY GUARNT	BB+ / n.a. / Ba2	n.a.	1.9	n.a.	n.a.	n.a.		700 m	2 + 1

Dialysis Centers: FRESenius SE (BB+, positive / BB+, positive / Ba1, negative)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Fresenius SE & Co. KGaA is a German diversified medical services and equipment company that operates hospitals (Helios) as well as inpatient and outpatient medical care. The company also provides oncology and clinical nutrition supplies (Kabi), hospital management (Vamed), and renal care equipment and services (Fresenius Medical Care).

Investment case

- One of the biggest providers of inpatient and outpatient care in Germany; leading position in renal care through its 36% ownership of Fresenius Medical Care.
- Strong business position benefiting from scale and diversification, both operational and geographic.
- Non-cyclical demand for products supported by demographic trends and high barriers to entry.
- Company's plans to extend its global presence into growth markets such as Asia-Pacific and Latin America should benefit the company's credit profile.

Key Risks

- Company's strategy of expanding its market position will likely result in ongoing debt-funded acquisitions.
- Rising pressure on healthcare budgets together with ongoing austerity measures could restrict growth and margin development.
- Increasing proportion of hospital-derived earnings could dilute margins.
- Subject to strict operational and regulatory requirements.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
FRESenius US FINANCE II (FREGR)	XS0390398344	EUR	8.750%	semi	15/07/2015	Euro-Non\$	expensive	COMPANY GUARNT	BB+ / BB+ / Ba1	109.3	3.2	0.5%	n.a.	-8		275 m	1 + 1
FRESenius FINANCE BV (FREGR)	XS1013954646	EUR	2.375%	semi	01/02/2019	EURO-ZONE	fair	SR UNSECURED	BB+ / BB+ / Ba1	103.1	0.8	1.7%	n.a.	97		300 m	1 + 1
FRESenius FINANCE BV (FREGR)	XS0759200321	EUR	4.250%	semi	15/04/2019	EURO MTN	fair	COMPANY GUARNT	BB+ / BB+ / Ba1	111.2	0.5	1.8%	n.a.	109		500 m	1 + 1
FRESenius FINANCE BV (FREGR)	XS0873432511	EUR	2.875%	semi	15/07/2020	EURO-ZONE	fair	COMPANY GUARNT	BB+ / BB+ / Ba1	104.9	1.1	2.0%	n.a.	103		500 m	1 + 1

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
FRESENIUS FINANCE BV (FREGR)	XS1013955379	EUR	3.000%	semi	01/02/2021	EURO-ZONE	fair	COMPANY GUARNT	BB+ / BB+ / Ba1	104.5	1.0	2.3%	n.a.	119		450 m	1 + 1
FRESENIUS FINANCE BV (FREGR)	XS1026109204	EUR	4.000%	semi	01/02/2024	EURO-ZONE	fair	SR UNSECURED	BB+ / BB+ / Ba1	105.1	1.2	3.4%	n.a.	185		450 m	1 + 1
FRESENIUS US FINANCE II (FREGR)	USU31436AD72	USD	9.000%	semi	15/07/2015	EURO-DOLLAR	expensive	COMPANY GUARNT	BB+ / BB+ / Ba1	109.5	3.3	0.5%	n.a.	-3		500 m	2 + 1

Medical-Hospitals: HCA HOLDINGS (n.a. / B-, positive / B3, positive)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



HCA (Hospital Corporation of America) is a leading for-profit provider of healthcare services in the US with 162 hospitals and some 109 freestanding surgery centers in 20 states. The company also operates diagnostic and imaging centers, radiation and oncology therapy centers, and rehabilitation and physical therapy centers. The company has around 20m patient encounters a year.

Investment case

- The largest for-profit acute care hospital company in the US with 162 hospitals.
- Non-cyclical demand for healthcare services supports stable and predictable revenues and cashflows.
- Strong and stable margins, which are ahead of industry peers, helped by the company's scale.
- Should benefit from the ongoing US healthcare reforms included in the Affordable Care Act (Obamacare), which should result in a lower level of uninsured losses and improved margins.

Key Risks

- Delays in the implementation of US healthcare reforms could have a negative impact on bad debts and margins.
- A reduction in government reimbursements for the company's services due to US healthcare reforms could lead to a modest level of margin erosion.
- Leverage remains high, although this has gradually reduced over recent years and is supported by good balance sheet liquidity.
- Shareholder-friendly policies and further debt-financed acquisitions could lead to a delay in deleveraging or even an increase.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
HCA INC (HCA)	US404119AP45	USD	6.375%	semi	15/01/2015	GLOBAL	expensive	SR UNSECURED	B- / BB- / B3	103.8	2.3	0.2%	n.a.	-14		750 m	1 + 1
HCA INC (HCA)	US404119AR01	USD	6.500%	semi	15/02/2016	GLOBAL	illiq.	SR UNSECURED	B- / BB- / B3	n.a.	1.8	n.a.	n.a.	n.a.		1,000 m	1 + 1
HCA INC (HCA)	US404121AC95	USD	6.500%	semi	15/02/2020	GLOBAL	attractive	SR SECURED	BB / BB+ / Ba3	113.1	1.8	3.9%	n.a.	207		3,000 m	2 + 1
HCA INC (HCA)	US404119BK49	USD	7.250%	semi	15/09/2020	GLOBAL	fair	SR SECURED	BB / BB+ / Ba3	108.3	1.5	5.7%	1.2%	76	yes	1,400 m	2 + 1
HCA HOLDINGS INC (HCA)	US40412CAB72	USD	7.750%	semi	15/05/2021	GLOBAL	fair	SR UNSECURED	B- / B- / B3	110.6	0.3	5.9%	2.9%	235	yes	1,524 m	2 + 1
HCA INC (HCA)	US404121AD78	USD	7.500%	semi	15/02/2022	GLOBAL	attractive	COMPANY GUARNT	B- / BB- / B3	115.1	2.1	5.1%	n.a.	282		2,000 m	2 + 1
HCA INC (HCA)	US404121AE51	USD	5.875%	semi	15/03/2022	GLOBAL	attractive	SR SECURED	BB / BB+ / Ba3	109.1	1.2	4.5%	n.a.	218		1,350 m	2 + 1
HCA INC (HCA)	US404121AF27	USD	4.750%	semi	01/05/2023	GLOBAL	attractive	SR SECURED	BB / BB+ / Ba3	100.2	0.3	4.7%	n.a.	224		1,250 m	2 + 1
HCA INC (HCA)	US404121AG00	USD	5.875%	semi	01/05/2023	GLOBAL	attractive	COMPANY GUARNT	B- / BB- / B3	103.6	0.4	5.4%	n.a.	288		1,250 m	2 + 1

Medical-Hospitals: TENET HEALTHCARE (B, stable / B-, stable / B3, stable)

Analyst: Peter Din (peter.din@ubs.com)

UBS credit view on senior bonds



Tenet Healthcare is a US-based for-profit healthcare company that operates acute care hospitals, walk-in surgery centers, diagnostic imaging centers, urgent care centers, and other related facilities. The company recently acquired Vanguard Health and now operates a combined 78 hospitals and 176 outpatient centers in 42 US states.

Investment case

- Business position improved through the recent acquisition of Vanguard Health, increasing the company's hospital count by around 50%.
- Strong competitive positions in attractive markets including Texas, Florida, and California.
- Integrated service offering that benefits from scale and scope, and proven cost management.
- Good balance sheet liquidity and minimal near-term debt maturities.

Key Risks

- Shareholder-friendly moves, including share buy-backs, could delay or increase leverage.
- Geographical concentration in three US states, representing almost half of the company's revenues an improvement, though, from 60% thanks to the Vanguard acquisition.
- Ongoing burden of uninsured healthcare expenses, although new US healthcare reforms should reduce this over time.
- Further debt-funded acquisitions could increase or delay deleveraging.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)			Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
TENET HEALTHCARE CORP (THC)	US88033GBC33	USD	9.250%	semi	01/02/2015	GLOBAL	illiq.	SR UNSECURED	CCC+ /	B- /	B3	n.a.	3.0	n.a.	n.a.	n.a.		473 m	1 + 1
TENET HEALTHCARE CORP (THC)	US88033GBP46	USD	6.250%	semi	01/11/2018	GLOBAL	fair	SR SECURED	B+ /	BB /	Ba3	110.8	0.5	3.6%	n.a.	214		1,041 m	2 + 1
TENET HEALTHCARE CORP (THC)	US88033GBU31	USD	4.750%	semi	01/06/2020	GLOBAL	illiq.	SR SECURED	B+ /	BB /	Ba3	n.a.	2.3	n.a.	n.a.	n.a.		500 m	2 + 1
TENET HEALTHCARE CORP (THC)	US88033GBM15	USD	8.000%	semi	01/08/2020	GLOBAL	illiq.	SR UNSECURED	CCC+ /	B- /	B3	n.a.	2.6	n.a.	n.a.	n.a.	yes	750 m	2 + 1
TENET HEALTHCARE CORP (THC)	US88033GBY52	USD	4.500%	semi	01/04/2021	GLOBAL	illiq.	SR SECURED	B+ /	BB /	Ba3	n.a.	0.7	n.a.	n.a.	n.a.		850 m	2 + 1
TENET HEALTHCARE CORP (THC)	US88033GCA67	USD	4.375%	semi	01/10/2021	GLOBAL	illiq.	SR SECURED	B+ /	BB /	Ba3	n.a.	1.8	n.a.	n.a.	n.a.		1,050 m	2 + 1
TENET HEALTHCARE CORP (THC)	USU8834NAB74	USD	8.125%	semi	01/04/2022	EURO-DOLLAR	illiq.	SR UNSECURED	CCC+ /	B- /	B3	n.a.	1.3	n.a.	n.a.	n.a.		1 m	2 + 1
TENET HEALTHCARE CORP (THC)	US88033GCE89	USD	8.125%	semi	01/04/2022	GLOBAL	attractive	SR UNSECURED	CCC+ /	B- /	B3	112.9	1.3	6.0%	n.a.	372		2,799 m	2 + 1

Sector: Industrials



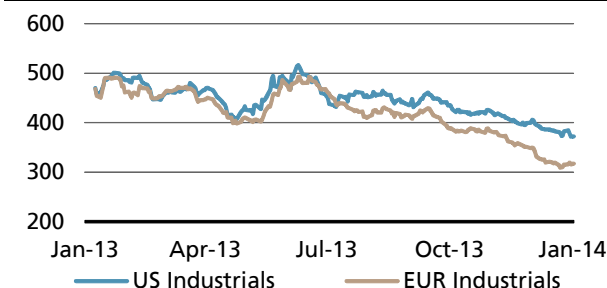
Sector description

The industrial sector is a broad category covering various light and heavy manufacturing activities, generally on a mass scale. The sector is characterized by the transformation and assembly of raw or partly processed materials into finished or semi-finished goods, and involves agricultural, packaging, construction, mining, and aerospace-defense equipment as well as other miscellaneous machinery products. The sector is generally capital-intensive and dependent on the levels of global and local economic growth. Additional drivers are the levels of capital investment, ease of funding, material and energy input costs, and advances in manufacturing technology.

Performance and sector outlook

The outlook for the sector is stable in North America, with modest economic growth accompanied by expanding levels of capital investments following previous years of underinvestment. We expect Europe to remain pressured, with continued economic softness limiting domestic investment. Overall, for the next year, we expect demand for agricultural equipment to remain strong, with construction machinery recovering slowly, and mining equipment remaining weak.

OAS for the industrials sector



Source: Barclays, UBS, as of October 2013

Containers-Metal/Glass: ARDAGH GLASS FINANCE (B, stable / n.a. / B3, stable)

Analyst: Thomas Keller (thomas.m.keller@ubs.com)

UBS credit view on senior bonds



Ardagh is a leading global supplier of glass and metal packaging primarily to the food and beverage industries. Ardagh's operations are concentrated in Europe (75% of revenues) and North America (12% of revenues). It is privately owned and headquartered in Ireland.

Investment case

- A leading producer of glass and metal packaging with strong market positions in Europe and North America.
- Successful and profitable glass packaging operations.
- Maturity profile back-dated, adequate liquidity and generally good access to the capital markets.
- Long track record of operating within a leveraged capital structure.

Key Risks

- Weak credit profile with very high leverage and weak cash flow generation.
- Debt-funded, acquisition-led growth strategy.
- Poorly performing metal packaging business.
- Uncertainty regarding a current acquisition, a proposed equity offering and near-term credit improvements.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
ARDAGH GLASS FINANCE PLC (ARGID)	XS0304675159	EUR	7.125%	semi	15/06/2017	EURO-ZONE	fair	COMPANY GUARNT	CCC+ / n.a. / Caa1	101.5	3.2	6.6%	5.6%	509	yes	310 m	50 + 1
ARDAGH PACKAGING FINANCE (ARGID)	XS0547007764	EUR	7.375%	semi	15/10/2017	EURO-ZONE	fair	SR SECURED	B+ / n.a. / Ba3	105.6	0.9	5.5%	2.2%	180	yes	825 m	100 + 1
ARDAGH PKG FIN/MP HD USA (ARGID)	XS0809267155	EUR	7.375%	semi	15/10/2017	EURO-ZONE	fair	SR SECURED	B+ / n.a. / Ba3	105.6	0.9	5.5%	2.2%	184	yes	260 m	100 + 1
ARDAGH GLASS FINANCE PLC (ARGID)	XS0480219640	EUR	8.750%	semi	01/02/2020	EURO-ZONE	attractive	COMPANY GUARNT	CCC+ / n.a. / Caa1	107.9	2.8	7.0%	3.3%	284	yes	180 m	50 + 1
ARDAGH PACKAGING FINANCE (ARGID)	XS0547019777	EUR	9.250%	semi	15/10/2020	EURO-ZONE	attractive	COMPANY GUARNT	CCC+ / n.a. / Caa1	111.3	1.1	7.0%	4.0%	355	yes	475 m	100 + 1
ARDAGH PACKAGING FINANCE (ARGID)	XS0547027101	USD	7.375%	semi	15/10/2017	EURO-DOLLAR	illiq.	SR SECURED	B+ / n.a. / Ba3	n.a.	0.9	n.a.	n.a.	n.a.	yes	510 m	200 + 1
ARDAGH PKG FIN/MP HD USA (ARGID)	USU22154AB16	USD	7.375%	semi	15/10/2017	EURO-DOLLAR	illiq.	SR SECURED	B+ / n.a. / Ba3	n.a.	0.9	n.a.	n.a.	n.a.	yes	350 m	200 + 1
ARDAGH PKG FIN/HLDGS USA (ARGID)	USG04586AD84	USD	6.250%	semi	31/01/2019	EURO-DOLLAR	illiq.	COMPANY GUARNT	CCC+ / n.a. / Caa1	n.a.	1.9	n.a.	n.a.	n.a.	yes	415 m	200 + 1
ARDAGH PKG FIN/MP HD USA (ARGID)	USU22154AA33	USD	9.125%	semi	15/10/2020	EURO-DOLLAR	illiq.	COMPANY GUARNT	CCC+ / n.a. / Caa1	n.a.	1.1	n.a.	n.a.	n.a.	yes	260 m	200 + 1
ARDAGH PACKAGING FINANCE (ARGID)	XS0547030741	USD	9.125%	semi	15/10/2020	EURO-DOLLAR	illiq.	COMPANY GUARNT	CCC+ / n.a. / Caa1	n.a.	1.1	n.a.	n.a.	n.a.	yes	660 m	200 + 1
ARDAGH PKG FIN/MP HD USA (ARGID)	USG04586AA46	USD	7.000%	semi	15/11/2020	EURO-DOLLAR	illiq.	SR UNSECURED	NR / n.a. / Caa1	n.a.	0.2	n.a.	n.a.	n.a.	yes	150 m	200 + 1
ARDAGH PKG FIN/HLDGS USA (ARGID)	USG04586AE67	USD	6.750%	semi	31/01/2021	EURO-DOLLAR	illiq.	COMPANY GUARNT	CCC+ / n.a. / Caa1	n.a.	2.1	n.a.	n.a.	n.a.	yes	415 m	200 + 1

Diversified Manufact Op: BOMBARDIER (BB-, stable / BB-, stable / Ba3, stable)

Analyst: Thomas Keller (thomas.m.keller@ubs.com)

UBS credit view on senior bonds



Bombardier is a leading global manufacturer of rail transportation equipment (e.g. trains and trams), business jets, commercial passenger aircraft and related systems and services, and also provides associated financial services. The company operates through two primary segments: Bombardier Transportation and Bombardier Aerospace. For the 12 months ending September 2013, total revenue was USD 17.8bn, EBITDA USD 1.1bn (6.4% margin) and operating cash flow USD 1.4bn with leverage at 6.4x (9x adjusted for pension obligations, operating leases and receivables factoring). Bombardier is based in Montreal, Canada, and has a market capitalization of CAD 7.2bn (as of 19 January 2014).

Investment case

- Bombardier is a leading manufacturer of rail transportation equipment and passenger aircraft; well positioned globally with significant scale.
- The two business segments, transportation and aerospace, have solid market shares and offer diversification, which stabilizes and enhances the company's overall business profile.
- Bombardier benefits from a large product base, high barriers to entry, a USD 65.5bn order book and limited near-term debt maturities until 2016.
- In our view, Bombardier has sufficient liquidity to support ongoing operations and new product development programs through 2014, though the C-Series delay to H2 2015, announced in January 2014, could lead to further liquidity requirements.

Key Risks

- Bombardier currently faces high leverage and negative free cash flow due to significant aerospace development programs, such as the new C-Series aircraft, and ongoing execution missteps in relation to rail transportation contracts.
- We see limited near-term scope for deleveraging in 2013 and 2014 given continued investments and negative cash flow.
- Elevated probability of a downgrade by either Moody's or S&P.
- Success of the new C-Series commercial passenger aircraft is crucial. The delay of one year, announced in January 2014, places further pressure on this aircraft program.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
BOMBARDIER INC (BBDN)	XS0552915943	EUR	6.125%	semi	15/05/2021	EURO MTN	fair	SR UNSECURED	BB- / BB- / Ba3	110.0	0.2	4.4%	n.a.	335		780 m	100 + 1
BOMBARDIER INC (BBDN)	USC10602AU14	USD	4.250%	semi	15/01/2016	EURO-DOLLAR	fair	SENIOR NOTES	BB- / BB- / Ba3	104.4	1.6	1.5%	n.a.	99		750 m	2 + 1
BOMBARDIER INC (BBDN)	USC10602AN70	USD	7.500%	semi	15/03/2018	EURO-DOLLAR	fair	SR UNSECURED	BB- / BB- / Ba3	114.0	1.5	3.5%	n.a.	231		650 m	2 + 1
BOMBARDIER INC (BBDN)	USC10602AX52	USD	4.750%	semi	15/04/2019	EURO-DOLLAR	fair	SR UNSECURED	BB- / BB- / Ba3	102.4	0.7	4.2%	n.a.	261		600 m	2 + 1
BOMBARDIER INC (BBDN)	USC10602AP29	USD	7.750%	semi	15/03/2020	EURO-DOLLAR	fair	SR UNSECURED	BB- / BB- / Ba3	113.6	1.6	5.0%	n.a.	315		850 m	2 + 1
BOMBARDIER INC (BBDN)	USC10602AR84	USD	5.750%	semi	15/03/2022	EURO-DOLLAR	fair	SR UNSECURED	BB- / BB- / Ba3	102.3	1.2	5.4%	n.a.	309		500 m	2 + 1
BOMBARDIER INC (BBDN)	USC10602AY36	USD	6.000%	semi	15/10/2022	EURO-DOLLAR	fair	SR UNSECURED	BB- / BB- / Ba3	102.3	0.9	5.7%	6.6%	366	yes	1,200 m	2 + 1
BOMBARDIER INC (BBDN)	USC10602AW79	USD	6.125%	semi	15/01/2023	EURO-DOLLAR	fair	SENIOR NOTES	BB- / BB- / Ba3	102.6	2.2	5.7%	n.a.	329		1,250 m	2 + 1
BOMBARDIER INC (BBDN)	USC10602AJ68	USD	7.450%	semi	01/05/2034	EURO-DOLLAR	illiq.	SR UNSECURED	BB- / BB- / Ba3	n.a.	0.5	n.a.	n.a.	n.a.		250 m	100 + 1

Machinery-Farm: CNH INDUSTRIAL (BB+, stable / n.a. / Ba1, stable)

Analyst: Thomas Keller (thomas.m.keller@ubs.com)

UBS credit view on senior bonds



CNH Industrial is a leading producer of agricultural and construction machinery (CNH, 57% of sales), light commercial vehicles and trucks (Iveco, 32% of sales), and powertrains (FPT, 12% of sales), as well as providing associated financial services. The company has a broad distribution network (nearly 6,000 dealers), and major brands are Case, New Holland, Iveco, Steyr, Magirus, HeuliezBus and FPT. The company is headquartered in the Netherlands with equity listings in Milan and New York. CNH Industrial is the successor company of Fiat Industrial SpA and CNH Global NV, which merged effective 29 September 2013. Previously, CNH Global was an 87% owned and fully consolidated subsidiary of Fiat Industrial.

Investment case

- Leading global manufacturer of capital goods, focused on agricultural machinery, construction equipment, light commercial vehicles, trucks and powertrains.
- Good outlook for agricultural equipment, particularly in North America and South America.
- Strong geographic and product diversity with leading market shares.
- Potential for additional operating and funding efficiencies following the merger between Fiat Industrial and CNH Global.

Key Risks

- Currently highly dependent on the North American agricultural market, while demand for construction equipment and European commercial vehicles remains weak.
- Competitive, cyclical and capital-intensive, with large potential working capital swings.
- Financial services depend on the asset-backed securities market and need to maintain solid underwriting standards.
- Potential for meaningful shareholder payouts beyond dividends. And ongoing joint liability for certain Fiat SpA bonds.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
CNH INDUSTRIAL FIN EUR S (CNH)	XS0604640499	EUR	5.250%	annu	11/03/2015	EURO MTN	fair	COMPANY GUARNT	BB+ / n.a. / Ba2	103.2	1.1	1.1%	n.a.	61		1,000 m	100 + 1
CNH INDUSTRIAL FIN EUR S (CNH)	XS0604641034	EUR	6.250%	annu	09/03/2018	EURO MTN	fair	COMPANY GUARNT	BB+ / n.a. / Ba2	114.2	1.4	2.3%	n.a.	171		1,200 m	100 + 1
CNH INDUSTRIAL FIN EUR S (CNH)	XS1046851025	EUR	2.750%	annu	18/03/2019	EURO MTN	fair	COMPANY GUARNT	BB+ / n.a. / Ba2	101.4	0.5	2.4%	n.a.	169		1,000 m	100 + 1
CNH Industrial Capital L (CNH)	US12623EAD31	USD	3.875%	semi	01/11/2015	GLOBAL	fair	COMPANY GUARNT	BB / n.a. / Ba1	102.9	0.3	1.8%	n.a.	126		750 m	2 + 1
CNH Industrial Capital L (CNH)	US12623EAB74	USD	6.250%	semi	01/11/2016	GLOBAL	illiq.	COMPANY GUARNT	BB / n.a. / Ba1	n.a.	0.5	n.a.	n.a.	n.a.		500 m	2 + 1
CNH Industrial Capital L (CNH)	US12623EAH45	USD	3.250%	semi	01/02/2017	GLOBAL	attractive	COMPANY GUARNT	BB / n.a. / Ba1	102.5	1.0	2.3%	n.a.	150		500 m	2 + 1
CASE NEW HOLLAND INDUSTR (CNH)	US147446AR91	USD	7.875%	semi	01/12/2017	GLOBAL	fair	COMPANY GUARNT	BB+ / n.a. / Ba1	118.0	3.9	2.5%	n.a.	138		1,498 m	2 + 1
CNH Industrial Capital L (CNH)	US12623EAF88	USD	3.625%	semi	15/04/2018	GLOBAL	attractive	COMPANY GUARNT	BB / n.a. / Ba1	102.9	0.4	2.8%	n.a.	159		600 m	2 + 1

Containers-Metal/Glass: CROWN HOLDINGS (BB, stable / n.a. / Ba1, stable)

Analyst: Thomas Keller (thomas.m.keller@ubs.com)

UBS credit view on senior bonds



Crown Holdings Inc. (Crown), based in the US, is a leading global producer of steel and aluminum packaging for the food, beverage and consumer product industries. Crown operates in North America, Europe and Asia Pacific. With the planned acquisition of Mivisa, it will increase its manufacturing exposure to Latin America.

Investment case

- Crown has a broad geographic footprint with large operations and associated economies of scale.
- Focus on more defensive food and beverage sectors leads to improved performance predictability.
- Limited number of large market participants supports market stability.
- Ability to de-lever via organic cash flow generation.

Key Risks

- Volatility of input costs (i.e. steel, aluminum and energy), though partly offset by cost pass-through contract provisions.
- Currency risk exposure with large share of earnings in foreign currencies. Large portion of cash balance held outside the US (USD 319m out of USD 350m cash as of December 2012).
- Packing is capital intensive, leading to large working capital swings. Metal packaging also faces substitution risk from glass and plastics.
- Ongoing asbestos (c. USD 237m) and pension liabilities (c. USD 1bn).

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
CROWN EURO HOLDINGS SA (CCK)	XS0511127689	EUR	7.125%	semi	15/08/2018	EURO-ZONE	fair	COMPANY GUARNT	BB- / WD / Ba1	105.1	2.0	5.7%	-0.1%	-43	yes	500 m	50 + 1

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
CROWN AMER/CAP CORP III (CCK)	US22818VAB36	USD	6.250%	semi	01/02/2021	GLOBAL	fair	COMPANY GUARNT	BB- / WD / Ba2	108.3	2.0	4.8%	3.0%	247	yes	700 m	2 + 1
CROWN AMER/CAP CORP IV (CCK)	US228189AB23	USD	4.500%	semi	15/01/2023	GLOBAL	fair	COMPANY GUARNT	BB- / n.a. / Ba2	96.5	1.7	5.0%	n.a.	257		1,000 m	2 + 1

Aerospace/Defense: FINMECCANICA SpA (BB, stable / BB+, stable / Ba1, negative)

Analyst: Thomas Keller (thomas.m.keller@ubs.com)

UBS credit view on senior bonds



Finmeccanica SpA (FNC) is one of Italy's biggest industrial companies; its largest shareholder is the Italian government (30%). It operates in the aerospace & defense and rail transportation sectors, producing defense electronics, aircraft (helicopters, airplanes), and rail transportation equipment (train rolling stock and rail signaling). Its top three markets are the US, Italy and the UK. FNC is currently engaged in restructuring efforts and asset sales in an effort to stabilize its credit profile.

Investment case

- Well-established businesses, predictable defense revenue base and good geographic diversity.
- Strong liquidity profile with no bond maturities until December 2017 and EUR 2.4bn credit availability.
- Strong new order intake (EUR 17.6bn) and large order backlog (EUR 43bn) during 2013.
- Management focus on business improvements and implicit support from the Italian government.

Key Risks

- Weak macroeconomic developments and additional pressure on defense budgets could further stress Finmeccanica's already weak credit profile.
- High costs and execution risks with ongoing and extensive restructuring programs, particularly within the company's rail transportation business.
- Intense competition.
- Potential negative political influence on the company's internal decision-making processes.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
FINMEC FINANCE SA (FNCIM)	XS0861828407	EUR	4.375%	annu	05/12/2017	EURO MTN	fair	COMPANY GUARNT	BB+ / BB+ / Ba1	106.1	2.1	2.5%	n.a.	199		600 m	100 + 1
FINMECCANICA FINANCE (FNCIM)	XS0182242247	EUR	5.750%	annu	12/12/2018	EURO MTN	fair	COMPANY GUARNT	BB+ / BB+ / Ba1	113.1	2.6	2.6%	n.a.	194		500 m	1 + 1
FINMEC FINANCE SA (FNCIM)	XS0999654873	EUR	4.500%	annu	19/01/2021	EURO MTN	attractive	COMPANY GUARNT	BB+ / BB+ / Ba1	104.2	2.1	3.8%	n.a.	269		950 m	100 + 1
FINMECCANICA FINANCE (FNCIM)	XS0458887030	EUR	5.250%	annu	21/01/2022	EURO-ZONE	fair	COMPANY GUARNT	BB+ / BB+ / Ba1	108.0	1.8	4.0%	n.a.	275		600 m	50 + 1
FINMECCANICA SPA (FNCIM)	XS0215093534	EUR	4.875%	annu	24/03/2025	EURO MTN	fair	COMPANY GUARNT	BB+ / BB+ / Ba1	105.5	0.9	4.2%	n.a.	255		500 m	50 + 1
FINMECCANICA FINANCE (FNCIM)	XS0423814119	GBP	8.000%	semi	16/12/2019	EURO MTN	fair	COMPANY GUARNT	BB+ / BB+ / Ba1	117.2	3.6	4.5%	n.a.	230		400 m	75 + 1
MECCANICA HOLDINGS USA (FNCIM)	USU58200AA15	USD	6.250%	semi	15/07/2019	EURO-DOLLAR	attractive	COMPANY GUARNT	BB+ / BB+ / Ba1	109.9	2.3	4.1%	n.a.	242		434 m	100 + 1

Wire&Cable Products: NEXANS SA (BB-, stable / n.a. / n.a.)

Analyst: Thomas Keller (thomas.m.keller@ubs.com)

UBS credit view on senior bonds



Nexans SA, based in France, is a leading producer of cables and related products primarily for the energy transmission, telecommunications, heavy industrial, infrastructure and construction markets. Nexans also offers fiber optic cables through a partnership with Sumitomo Electric. Nexans' products are used, for example, for power and telecom transmission lines, mining, automotive, aeronautics and shipbuilding.

Investment case

- A leading global manufacturer of cables for power transmission, telecommunications, industrial and construction markets.
- Solid base in developed markets, with growing exposure in emerging markets.
- Good liquidity profile and low net leverage.
- Should benefit from efficiency improvements and modest end-market improvements.

Key Risks

- Negative revenue and EBITDA trends. Suffering from weak end-markets and sizeable restructuring costs.
- Poor cash-flow generation.
- Cyclical in some end-markets.
- Exposure to volatile input costs, particularly copper and aluminum.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
NEXANS SA (NEXFP)	FR0010465427	EUR	5.750%	annu	02/05/2017	EURO MTN	fair	SR UNSECURED	BB- / n.a. / n.a.	108.2	0.4	2.8%	n.a.	233		350 m	50 + 50
NEXANS SA (NEXFP)	FR0011376201	EUR	4.250%	annu	19/03/2018	EURO-ZONE	fair	SR UNSECURED	BB- / n.a. / n.a.	104.6	0.8	2.9%	n.a.	236		250 m	100 + 100

Containers-Metal/Glass: OWENS-ILLINOIS (BB+, stable / n.a. / B1, stable)

Analyst: Thomas Keller (thomas.m.keller@ubs.com)

UBS credit view on senior bonds



Owens-Illinois Inc (OI), headquartered in Ohio, US, is a leading manufacturer of glass containers used for alcoholic and non-alcoholic beverages, food items and pharmaceuticals. As of December 2013, OI has 77 plants in 21 countries with significant operations in Europe, North America, South America and Asia Pacific.

Investment case

- A leading global producer of glass packaging, with significant scale, a broad geographic footprint and focus on profitability.
- Cost pass-through and yearly recovery clauses contained in many contracts allow for the mitigation of input price inflation.
- Expected improvement in credit metrics driven by management's focus on organic deleveraging and improving efficiencies.
- Liquidity is adequate, supported by good cash flow generation and credit facility availability.

Key Risks

- Glass packaging is a mature industry with modest organic growth rates. Growth gained via debt-financed acquisitions could lead to a weaker credit profile.
- Volumes can vary depending on consumer spending and product substitution (e.g. aluminum and plastic). Large customers and customer consolidation could pressure bargaining power.
- Input costs can be volatile and a high proportion of employees are represented by collective bargaining agreements.
- On-going asbestos claims and liabilities as well as currency and political risks relating to multi-national operations.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
OI EUROPEAN GROUP BV (OI)	XS0542593792	EUR	6.750%	semi	15/09/2020	EURO-ZONE	attractive	COMPANY GUARNT	BB+ / WD / Ba2	119.2	2.2	3.3%	n.a.	235		500 m	50 + 1
OI EUROPEAN GROUP BV (OI)	XS0908230781	EUR	4.875%	semi	31/03/2021	EURO-ZONE	fair	COMPANY GUARNT	BB+ / n.a. / Ba2	108.4	0.8	3.5%	n.a.	239		330 m	100 + 1
OWENS-BROCKWAY (OI)	US69073TAP84	USD	7.375%	semi	15/05/2016	GLOBAL	fair	COMPANY GUARNT	BB+ / WD / Ba3	111.3	2.4	1.5%	n.a.	101		600 m	2 + 1

Paper&Related Products: SMURFIT KAPPA GROUP PLC (BB+, stable / BB, positive / Ba2, positive)

Analyst: Thomas Keller (thomas.m.keller@ubs.com)

UBS credit view on senior bonds



Smurfit Kappa Group (SKG) is one of the largest integrated producers of paper-based packaging in the world, with operations focused in Europe and the Americas (mainly Latin America). Its products include containerboard and corrugated packaging in addition to specialty container products such as solidboard, graphicboard and bag-in-box packaging. For 2012, SKG produced 12.3 million tons of paper-based products. SKG is headquartered in Ireland with equity traded on the London and Irish stock exchanges.

Investment case

- A leading integrated producer of paper-based packaging in Europe and the Americas, with meaningful scale.
- A track record of good performance and an improving credit profile.
- Good liquidity and a back-dated debt maturity profile.
- Management focused on maintaining a robust credit profile

Key Risks

- Industry is commoditized, competitive and cyclical. Input costs can be volatile. Smurfit Kappa also has limited product diversification.
- Potential for Smurfit Kappa to engage in further acquisitions and/or shareholder distributions.
- Emerging market risk exposure, such as Venezuela and Argentina.
- Active and opportunistic debt liability management could reduce returns for bondholders.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
SMURFIT KAPPA ACQUISITIO (SKGID)	XS0828002807	EUR	5.125%	semi	15/09/2018	EURO-ZONE	attractive	SR SECURED	BB+ / BB / Ba2	110.1	1.0	2.6%	2.5%	188	yes	200 m	100 + 1
SMURFIT KAPPA ACQUISITIO (SKGID)	XS0467785613	EUR	7.750%	semi	15/11/2019	EURO-ZONE	fair	SR SECURED	BB+ / BB / Ba2	106.7	0.3	6.3%	1.5%	109	yes	500 m	50 + 1
SMURFIT KAPPA ACQUISITIO (SKGID)	XS0880132989	EUR	4.125%	semi	30/01/2020	EURO-ZONE	attractive	SR SECURED	BB+ / BB / Ba2	106.6	1.3	2.9%	n.a.	197		400 m	100 + 1
SMURFIT KAPPA ACQUISITIO (SKGID)	XS0832432446	EUR	3.828%	quart	15/10/2020	EURO-ZONE	fair	SR SECURED	BB+ / BB / Ba2	107.5	0.4	2.6%	n.a.			250 m	100 + 1
SMURFIT KAPPA ACQUISITIO (SKGID)	USG82493AC42	USD	4.875%	semi	15/09/2018	EURO-DOLLAR	illiq.	SR SECURED	BB+ / BB / Ba2	n.a.	1.0	n.a.	n.a.	n.a.	yes	300 m	200 + 1
SMURFIT KAPPA TREASURY (SKGID)	US832724AB40	USD	7.500%	semi	20/11/2025	YANKEE	fair	SR SECURED	BB+ / BB / Ba2	115.0	0.1	5.7%	n.a.	295		292 m	1 + 1

Diversified Operations: WENDEL (BB+, stable / n.a. / n.a.)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Wendel is a French-based investment company, the majority of whose portfolio consists of Bureau Veritas, a certification and verification services company, and Saint-Gobain, which specializes in producing, transforming and distributing building materials. Wendel also holds stakes in smaller unlisted companies and generated consolidated revenues of EUR 6.8bn in LTM 1H 2013.

Investment case

- Holding company benefits from good creditworthiness and high liquidity of its investments, 86% of which are listed companies.
- Successful deleveraging in recent years that achieved an improved loan-to-market-value ratio (32%) and cash cover.
- Satisfactory liquidity position after extending its credit line to 2018, reducing its cash burn at the holding level.
- Debt at subsidiary levels is non-recourse (Wendel cannot be held liable in case of default).

Key Risks

- Dividends are not yet sufficient to cover interests paid, which still causes a cash burn at the holding level.
- Company will need to dispose of assets to reduce its debt meaningfully and reach its investment grade target.
- A portion of its shares and cash are pledged to secure 0.6bn of Saint-Gobain-related bank debt and subject to margin calls - a decline in value could drain liquidity.
- Upgrade to investment grade is unlikely in the near future given its announced EUR 2bn acquisition strategy from now until 2017.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
WENDEL SA (MWDP)	XS0203831432	EUR	4.875%	annu	04/11/2014	EURO-ZONE	fair	SR UNSECURED	BB+ / n.a. / n.a.	101.9	2.7	0.4%	n.a.	0		487 m	1 + 1
WENDEL SA (MWDP)	XS0290422095	EUR	4.875%	annu	21/09/2015	EURO-ZONE	fair	SR UNSECURED	BB+ / n.a. / n.a.	105.1	3.3	0.9%	n.a.	43		400 m	50 + 50
WENDEL SA (MWDP)	XS0253989635	EUR	4.875%	annu	26/05/2016	EURO-ZONE	fair	SR UNSECURED	BB+ / n.a. / n.a.	107.2	0.0	1.2%	n.a.	84		618 m	50 + 50
WENDEL SA (MWDP)	XS0224749100	EUR	4.375%	annu	09/08/2017	EURO-ZONE	fair	SR UNSECURED	BB+ / n.a. / n.a.	108.4	3.5	1.7%	n.a.	118		692 m	50 + 50
WENDEL SA (MWDP)	FR0011036979	EUR	6.750%	annu	20/04/2018	EURO-ZONE	fair	SR UNSECURED	BB+ / n.a. / n.a.	118.4	0.7	1.8%	n.a.	122		500 m	100 + 100

High Yield Bond List

UBS CIO WM, 27 May 2014

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)			Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
WENDEL SA (MWDP)	FR0011321256	EUR	5.875%	annu	17/09/2019	EURO-ZONE	fair	SR UNSECURED	BB+ /	n.a.	/ n.a.	117.5	4.1	2.3%	n.a.	149		600 m	100 + 100
WENDEL SA (MWDP)	FR0011694496	EUR	3.750%	annu	21/01/2021	EURO-ZONE	fair	SR UNSECURED	BB+ /	n.a.	/ n.a.	106.0	1.3	2.7%	n.a.	166		400 m	100 + 100

Sector: Materials and engineering



Sector description

Within the broad spectrum of materials, we are focusing on metals and building materials companies. The sector is sensitive to business cycles and can be quite volatile. The building materials business derives its demand from core industries like construction and infrastructure development, while the steel business also caters to the automobiles and manufacturing industries. Most of the products in this sector are commoditized, and therefore supply-demand dynamics and operating efficiency usually drive the profitability of the companies.

Performance and sector outlook

Both steel and building materials producers are facing overcapacity problems in Western Europe. Earnings from emerging markets have cushioned the impact of the sharp decline in European demand for most of the issuers in the materials sector. Going forward, however, our economists expect the Eurozone to grow and the growth rate in Asia to improve, a trend that will be beneficial for the materials sector. Having said that, it is important to note that such a recovery would be starting from the current low base and hence won't be able to resolve the existing overcapacity issues in the industry. Therefore, we expect the credit metrics of the issuers in our sector coverage to remain sub-par despite moderate improvements through the next three to four quarters.

OAS for the materials sector



Source: Barclays, UBS, as of October 2013

Engineering/R&D Services: ABENGOA SA (B, positive / B+, stable / B2, stable)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Abengoa is a leading renewable energy and clean technology company with operations in more than 70 countries. The group was founded in 1941 through the collaboration of three founding families and has over the years grown its presence in three main divisions: engineering and construction, concession-type infrastructure, and industrial production involving biofuels. The company has been publicly listed since 1996 but is majority controlled (50.03% voting rights) by the founding families through Inversion Corporativa.

Investment case

- Sound business and geographic diversification; the group has presence in three businesses across 70-plus countries and generates more than 80% of revenues outside Spain.
- Strong technological competence; highest number of international patent applications among Spanish companies in 2011 and 2012.
- Increasing focus on balance sheet improvement; announced plans to raise USD 1.5bn during 2013-14 through asset disposals and lowered corporate leverage target to 2.0x from 2.5x for 2014.
- Strengthened position in concessions business offers greater scope for deleveraging through asset disposals.

Key Risks

- Highly leveraged; the group's consolidated leverage is inflated substantially by large long-duration project finance debts associated with concessions.
- Weak cash generation due to ongoing investments in the concessions business.
- Restricted group continues to invest in non-recourse projects expecting recovery through fees and disposals.
- Renewable energy business is very dependent on supportive government policies, and thus policy changes can be disruptive.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
ABENGOA SA (ABGSM)	XS0469316458	EUR	9.625%	semi	25/02/2015	EURO-ZONE	expensive	COMPANY GUARNT	B / B+ / B2	105.5	4.7	2.2%	n.a.	168		300 m	50 + 50
ABENGOA SA (ABGSM)	XS0498817542	EUR	8.500%	semi	31/03/2016	EURO MTN	fair	COMPANY GUARNT	B / B+ / B2	109.7	1.3	3.0%	n.a.	266		500 m	50 + 50
ABENGOA FINANCE SAU (ABGSM)	XS0882237729	EUR	8.875%	semi	05/02/2018	EURO MTN	fair	COMPANY GUARNT	B / B+ / B2	114.2	2.8	4.6%	n.a.	412		550 m	100 + 1
ABENGOA FINANCE SAU (ABGSM)	USE0002VAC84	USD	8.875%	semi	01/11/2017	EURO-DOLLAR	fair	COMPANY GUARNT	B / B+ / B2	113.3	0.6	4.6%	n.a.	354		650 m	150 + 1
ABENGOA FINANCE SAU (ABGSM)	USE0000TAE13	USD	7.750%	semi	01/02/2020	EURO-DOLLAR	fair	COMPANY GUARNT	B / B+ / B2	110.4	2.5	5.6%	n.a.	375		450 m	150 + 1

Steel-Producers: ARCELORMITTAL (BB+, negative / BB+, stable / Ba1, negative)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



ArcelorMittal is the world's largest steel producer with crude steel capacity of some 119 million tons per year. The company was created in 2006 from the merger of Arcelor and Mittal Steel. ArcelorMittal is the leading steel producer in Western Europe and North America, and has operations in South America, Eastern Europe, Africa and Asia. The firm produced around 44% of ist steel in Europe, 39% in the Americas and 17% in other countries. Chairman Mr L. N. Mittal's family owns about 39.6% of the voting shares in the group.

Investment case

- ArcelorMittal benefits from ist size, geographic and product diversification and leading market position in developed economies
- Large degree of vertical integration (c60% of iron ore and c20% coking coal) partly mitigates sourcing risks and helps margins
- Adequate liquidity after substantial debt repayments and capital increase in the last two years
- Some of the bonds also benefit from coupon step-up language in case of a downgrade

Key Risks

- Exposed to highly cyclical steel industry which is susceptible to macroeconomic factors
- Demand trends in ist key markets remain subdued
- Limited debt reduction prospect in the near term as most of the large scale asset disposal and capital raising plans are complete
- Further rating downgrades possible if credit metrics remain stretched

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
ARCELORMITTAL FINANCE (MTNA)	XS0194455340	EUR	5.500%	annu	15/07/2014	EURO-ZONE	illiq.	COMPANY GUARNT	n.a. / n.a. / Ba1	n.a.	4.8	n.a.	n.a.	n.a.		100 m	1 + 1
ARCELORMITTAL FINANCE (MTNA)	XS0204395213	EUR	4.625%	annu	07/11/2014	EURO-ZONE	fair	COMPANY GUARNT	BB+ / BB+ / Ba1	101.8	2.5	0.4%	n.a.	4		360 m	1 + 1
ARCELORMITTAL (MTNA)	XS0431928414	EUR	10.625%	annu	03/06/2016	EURO-ZONE	expensive	SR UNSECURED	BB+ / BB+ / Ba1	117.9	10.4	1.5%	n.a.	117		1,000 m	50 + 1
ARCELORMITTAL (MTNA)	XS0559641146	EUR	5.875%	annu	17/11/2017	EURO MTN	fair	SR UNSECURED	BB+ / BB+ / Ba1	112.2	3.1	2.2%	n.a.	166		1,000 m	50 + 1
ARCELORMITTAL (MTNA)	XS0765621569	EUR	5.750%	annu	29/03/2018	EURO MTN	fair	SR UNSECURED	BB+ / BB+ / Ba1	112.4	0.9	2.3%	n.a.	175		500 m	100 + 1
ARCELORMITTAL (MTNA)	XS1048518358	EUR	3.000%	annu	25/03/2019	EURO MTN	fair	SR UNSECURED	BB+ / BB+ / Ba1	102.2	0.5	2.5%	n.a.	176		750 m	100 + 1
ARCELORMITTAL (MTNA)	US03938LAL80	USD	9.500%	semi	15/02/2015	GLOBAL	fair	SR UNSECURED	BB+ / BB+ / Ba1	106.1	2.7	0.9%	n.a.	47		750 m	2 + 1
ARCELORMITTAL (MTNA)	US03938LAV62	USD	4.250%	semi	25/02/2015	GLOBAL	fair	SR UNSECURED	BB+ / BB+ / Ba1	102.3	1.1	1.2%	n.a.	74		500 m	2 + 1
ARCELORMITTAL (MTNA)	US03938LAR50	USD	4.250%	semi	05/08/2015	GLOBAL	fair	SR UNSECURED	BB+ / BB+ / Ba1	103.1	1.3	1.6%	n.a.	103		1,000 m	2 + 1
ARCELORMITTAL (MTNA)	US03938LAT17	USD	4.250%	semi	01/03/2016	GLOBAL	fair	SR UNSECURED	BB+ / BB+ / Ba1	104.0	1.0	1.9%	n.a.	138		500 m	2 + 1
ARCELORMITTAL (MTNA)	US03938LAW46	USD	5.000%	semi	25/02/2017	GLOBAL	fair	SR UNSECURED	BB+ / BB+ / Ba1	106.2	1.3	2.6%	n.a.	182		1,400 m	2 + 1
ARCELORMITTAL (MTNA)	USL0302DAN32	USD	6.125%	semi	01/06/2018	EURO-DOLLAR	illiq.	SR UNSECURED	BB+ / WD / Ba1	n.a.	3.0	n.a.	n.a.	n.a.		7 m	2 + 1
ARCELORMITTAL (MTNA)	US03938LAF13	USD	6.125%	semi	01/06/2018	GLOBAL	fair	SR UNSECURED	BB+ / BB+ / Ba1	109.9	3.0	3.4%	n.a.	214		1,493 m	2 + 1
ARCELORMITTAL (MTNA)	US03938LAM63	USD	10.350%	semi	01/06/2019	GLOBAL	fair	SR UNSECURED	BB+ / BB+ / Ba1	127.2	5.1	4.3%	n.a.	262		1,500 m	2 + 1
ARCELORMITTAL (MTNA)	US03938LAQ77	USD	5.750%	semi	05/08/2020	GLOBAL	fair	SR UNSECURED	BB+ / BB+ / Ba1	107.3	1.8	4.4%	n.a.	243		1,000 m	2 + 1
ARCELORMITTAL (MTNA)	US03938LAU89	USD	6.000%	semi	01/03/2021	GLOBAL	attractive	SR UNSECURED	BB+ / BB+ / Ba1	107.9	1.4	4.6%	n.a.	254		1,500 m	2 + 1
ARCELORMITTAL (MTNA)	US03938LAX29	USD	6.750%	semi	25/02/2022	GLOBAL	attractive	SR UNSECURED	BB+ / BB+ / Ba1	112.1	1.7	4.9%	n.a.	256		1,100 m	2 + 1
ARCELORMITTAL (MTNA)	US03938LAP94	USD	7.500%	semi	15/10/2039	GLOBAL	fair	SR UNSECURED	BB+ / BB+ / Ba1	107.5	0.9	6.9%	n.a.	357		1,500 m	2 + 1
ARCELORMITTAL (MTNA)	US03938LAS34	USD	7.250%	semi	01/03/2041	GLOBAL	fair	SR UNSECURED	BB+ / BB+ / Ba1	104.4	1.7	6.9%	n.a.	357		1,000 m	2 + 1

Bldg Prod-Cement/Aggreg: BUZZI UNICEM SPA (BB+, stable / n.a. / n.a.)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Buzzi Unicem is a geographically diversified cement and ready mix manufacturer with headquarters in Italy. The group operates in Italy, Germany, Mexico, US, Russia and Eastern Europe through its two primary subsidiaries Dyckerhoff and RC Lonestar Inc. Buzzi is publicly listed, but the founding shareholder Buzzi Family Holdings has a 58.6 voting share in the company (47% economic).

Investment case

- One of the largest global cement makers with strong market positions in Germany(#2), US(#5) and Mexico(#4).
- Strong growth market presence; Buzzi's focus on the US and Russia offers better prospects for growth.
- Moderate financial policy; the group has reduced its dividend and capex substantially since 2008 to support cash generation.
- Relatively simplified corporate structure after the Dyckerhoff minority squeeze-out.

Key Risks

- Cement business is highly cyclical and is strongly affected by macroeconomic environment.
- Buzzi expects the group's core market, Italy, to contract by 16% in 2013 and the outlook for 2014 remains weak.
- The group may not be able to pass through higher energy costs in a low-demand environment, leading to further pressure on margins.
- Exposure to Ukraine and Russia could lead to loss in earnings if geopolitical situation affects the group's operations.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
BUZZI UNICEM SPA (BZUIM)	XS0472205300	EUR	5.125%	annu	09/12/2016	EURO MTN	fair	SR UNSECURED	BB+ / n.a. / n.a.	107.6	2.4	2.0%	n.a.	159		350 m	50 + 1
BUZZI UNICEM SPA (BZUIM)	XS0835273235	EUR	6.250%	annu	28/09/2018	EURO-ZONE	attractive	SR UNSECURED	BB+ / n.a. / n.a.	113.6	4.1	2.9%	n.a.	219		350 m	100 + 1

Diversified Minerals: FMG RESOURCES (BB, positive / BB+, stable / Ba1, stable)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Fortescue Metals Group is the fourth-largest iron ore producer in the world. It mines principally out of two hubs (Chichester hub and Solomon hub) near Port Hedland in Australia. The group is almost entirely export-oriented and principally supplies to Chinese steelmakers. FMG holds the largest tenement in the Pilbara area which exceeds 85,000 sq km.

Investment case

- Fourth-largest iron ore miner in the world after Vale, BHP Billiton and Rio Tinto.
- Improving economies of scale; plans to increase annual capacity to 155million tons by Q1 2014 is on track.
- Strong cash generation and asset sale driven debt reduction support credit profile.
- Continued cost reduction program to support margins; cash costs for 3Q 2013 were down 7.9% qoq.

Key Risks

- Exposure to volatile commodity prices; a significant drop in iron ore may sharply weaken the group's profitability and hence its credit metrics.
- Geographic concentration; the group principally mines in Australia and exports ores mainly to China.
- Additional industry capacity coming online may hurt the group's ability to meet volume and pricing targets.
- Most of the group's operations bear significant operational and legal risks including environment and safety concerns.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
FMG RESOURCES AUG 2006 (FMGAU)	USQ3919KAE12	USD	6.000%	semi	01/04/2017	EURO-DOLLAR	illiq.	COMPANY GUARNT	BB- / BB+ / Ba2	n.a.	0.9	n.a.	n.a.	n.a.	yes	1,000 m	2 + 1
FMG RESOURCES AUG 2006 (FMGAU)	USQ3919KAB72	USD	6.875%	semi	01/02/2018	EURO-DOLLAR	fair	COMPANY GUARNT	BB- / BB+ / Ba2	106.0	2.2	5.1%	-4.4%	-467	yes	900 m	2 + 1
FMG RESOURCES AUG 2006 (FMGAU)	USQ3919KAD39	USD	8.250%	semi	01/11/2019	EURO-DOLLAR	fair	COMPANY GUARNT	BB- / BB+ / Ba2	110.4	0.6	6.0%	3.5%	302	yes	1,500 m	2 + 1
FMG RESOURCES AUG 2006 (FMGAU)	USQ3919KAF86	USD	6.875%	semi	01/04/2022	EURO-DOLLAR	attractive	COMPANY GUARNT	BB- / BB+ / Ba2	108.3	1.1	5.5%	4.8%	400	yes	1,000 m	2 + 1

Bldg Prod-Cement/Aggreg: HEIDELBERGCEMENT (n.a. / BB+, stable / (P)Ba1,)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



HeidelbergCement is the world's third-largest cement manufacturer, with operations in around 40 countries and an annual capacity of 122 million tons at the end of 2012. Cement sales account for around 42% of the group's revenues, while concrete and aggregates account for 33% and 17%, respectively. The group was formed in 1874 and has grown through acquisitions and partnerships. It has been publicly listed on the Frankfurt exchange since 1889.

Investment case

- One of the largest cement manufacturers in the world with strong geographic diversity
- The only large European cement manufacturer to have registered growth in like-for-like revenues, EBITDA and EBITDA margin for the first half of 2013
- Healthy credit metrics for the rating level
- Adequate liquidity and spread out debt maturity profile

Key Risks

- Challenging operating environment in a cyclical and highly competitive industry
- Setback in deleveraging momentum in H1 2013; management decided to increase dividend payout by 34% in 2013
- Volume sales continued to face pressure through H1 2013, particularly in Western Europe
- Bonds lack the cushion of coupon step-up in case of downgrades

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
HEIDELBERGCEMENT FIN LUX (HEIGR)	CH0140684512	CHF	7.250%	semi	14/11/2017	Euro-Non\$	fair	COMPANY GUARNT	NR / BB+ / (P)Ba1	119.2	0.3	1.5%	n.a.	139		150 m	5 + 5
HEIDELBERGCEMENT FIN LUX (HEIGR)	XS0458230082	EUR	7.500%	semi	31/10/2014	EURO MTN	fair	COMPANY GUARNT	NR / BB+ / Ba1	103.0	0.6	0.3%	n.a.	-8		1,000 m	1 + 1
HEIDELBERGCEMENT FIN LUX (HEIGR)	XS0478802548	EUR	6.500%	semi	03/08/2015	EURO-ZONE	fair	COMPANY GUARNT	NR / BB+ / Ba1	106.5	2.1	0.9%	n.a.	37		650 m	1 + 1
HEIDELBERGCEMENT FIN LUX (HEIGR)	XS0520759803	EUR	6.750%	semi	15/12/2015	EURO MTN	fair	COMPANY GUARNT	NR / BB+ / Ba1	108.6	3.0	1.1%	n.a.	63		650 m	1 + 1
HEIDELBERGCEMENT FIN LUX (HEIGR)	XS0755521142	EUR	4.000%	semi	08/03/2016	EURO MTN	fair	COMPANY GUARNT	NR / BB+ / Ba1	104.8	0.9	1.3%	n.a.	85		300 m	50 + 50
HEIDELBERGCEMENT FIN LUX (HEIGR)	XS0458230322	EUR	8.000%	semi	31/01/2017	EURO-ZONE	expensive	COMPANY GUARNT	NR / BB+ / Ba1	116.4	2.6	1.7%	n.a.	126		1,000 m	1 + 1
HEIDELBERGCEMENT FIN LUX (HEIGR)	DE000A0TKUU3	EUR	5.625%	annu	04/01/2018	EURO MTN	fair	COMPANY GUARNT	NR / BB+ / Ba1	112.8	2.2	1.9%	n.a.	136		480 m	1 + 1
HEIDELBERGCEMENT FIN LUX (HEIGR)	XS0686703736	EUR	9.500%	semi	15/12/2018	EURO MTN	fair	COMPANY GUARNT	NR / BB+ / Ba1	130.5	4.3	2.4%	n.a.	169		500 m	50 + 50
HEIDELBERGCEMENT FIN LUX (HEIGR)	XS1044496203	EUR	2.250%	annu	12/03/2019	EURO MTN	fair	COMPANY GUARNT	n.a. / BB+ / Ba1	100.7	0.5	2.1%	n.a.	135		500 m	1 + 1
HEIDELBERGCEMENT FIN LUX (HEIGR)	XS0458685913	EUR	8.500%	semi	31/10/2019	EURO-ZONE	fair	COMPANY GUARNT	NR / BB+ / Ba1	129.3	0.6	2.6%	n.a.	180		500 m	1 + 1
HEIDELBERGCEMENT FIN LUX (HEIGR)	XS0478803355	EUR	7.500%	semi	03/04/2020	EURO-ZONE	fair	COMPANY GUARNT	NR / BB+ / Ba1	124.7	1.1	2.9%	n.a.	195		750 m	1 + 1
HEIDELBERGCEMENT FIN LUX (HEIGR)	XS0985874543	EUR	3.250%	semi	21/10/2020	EURO-ZONE	fair	COMPANY GUARNT	n.a. / BB+ / Ba1	104.2	0.3	2.5%	n.a.	152		300 m	1 + 1
HEIDELBERGCEMENT FIN LUX (HEIGR)	XS1002933072	EUR	3.250%	semi	21/10/2021	EURO MTN	fair	COMPANY GUARNT	n.a. / BB+ / Ba1	103.0	0.3	2.8%	n.a.	159		500 m	1 + 1
HANSON LTD (HEIGR)	US411349AA15	USD	6.125%	semi	15/08/2016	GLOBAL	fair	COMPANY GUARNT	NR / BB+ / Ba1	109.7	1.7	1.6%	n.a.	104		750 m	1 + 1

Bldg Prod-Cement/Aggreg: ITALCEMENTI (n.a. / n.a. / Ba3, watch +)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Italcementi is the world's fifth-largest cement manufacturer with a cement production capacity of 60 million tons. Cement sales account for around 65% of the group's revenues, while aggregates account for around 29%. In 2012, the company operated in 22 countries through subsidiaries and joint ventures. The Pesenti family owns 60.3% of voting shares in the company via its holding company Italmobiliare.

Investment case

- One of the largest global cement manufacturers with strong European positioning
- Conservative growth strategy with focus on partnerships and joint ventures rather than large debt-funded acquisitions
- Supportive founding shareholder who still retains 60.3% voting control over the company through Italmobiliare
- Aggressive cost-cutting plans aimed at continuing the EUR 100m reductions achieved in 2012

Key Risks

- Operates in a highly cyclical and seasonal industry with continuing macroeconomic challenges
- Domestic market remains structurally difficult as there is still considerable overcapacity
- Recurring EBITDA continued to decline (down 11% yoy in H1 2013), putting further pressure on the group's credit metrics
- Significant exposure to the Middle East and specifically Egypt adds to political and currency risks

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
CIMENTS FRANCAIS (CMFP)	FR0010454090	EUR	4.750%	annu	04/04/2017	EURO MTN	fair	SR UNSECURED	BB+ / n.a. / Ba2	108.0	0.7	1.9%	n.a.	141		500 m	50 + 50
ITALCEMENTI FINANCE (ITCIT)	XS0893201433	EUR	6.125%	annu	21/02/2018	EURO MTN	fair	COMPANY GUARNT	BB+ / n.a. / Ba3	111.4	1.6	2.8%	n.a.	228		500 m	100 + 1
ITALCEMENTI FINANCE (ITCIT)	XS0496716282	EUR	6.625%	annu	19/03/2020	EURO MTN	attractive	COMPANY GUARNT	BB+ / n.a. / Ba3	114.6	1.3	3.8%	n.a.	284		739 m	50 + 1

Bldg Prod-Cement/Aggreg: LAFARGE (BB+, positive / BB+, watch + / Ba1, watch +)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Lafarge is one of the largest cement manufacturers in the world and also has a large presence in the aggregates industry. The company derives around 20% of its EBITDA from North America and Western Europe, with the rest derived mostly from emerging markets. The group gained significant exposure to MENA through its acquisition of Orascom Cements in 2008. It is headquartered in Paris and is publicly listed. The group, in April 2014, announced plans to merge with Holcim.

Investment case

- One of the leading cement manufacturers in the world with strong geographic diversification
- Planned merger with Holcim should strengthen business and credit profile.
- Divestments and capex control has led to a significant reduction in net debt over the past four years.
- Further near-term deleveraging prospects through proceeds from asset sales.

Key Risks

- Operates in a highly cyclical and seasonal industry with continuing macroeconomic challenges.
- Increased reliance on Middle East region (approx. 40% EBITDA) after the acquisition of Orascom Cements in 2008, particularly in the context of Algeria and Egypt.
- Planned merger may fail to go through or may not realise full potential due to regulatory issues.
- many of the bonds have coupon step-down feature linked to probable rating upgrade to investment grade.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
LAFARGE SA (LGFP)	XS0430328525	EUR	8.875%	annu	27/05/2014	EURO MTN	fair	SR UNSECURED	BB+ / BB+ / WR	100.2	0.0	-58.8%	n.a.	-5,912		1,000 m	50 + 1
LAFARGE SA (LGFP)	XS0196630270	EUR	5.000%	annu	16/07/2014	EURO MTN	fair	SR UNSECURED	BB+ / BB+ / Ba1	100.7	4.3	-0.8%	n.a.	-109		612 m	1 + 1
LAFARGE SA (LGFP)	XS0365901734	EUR	6.125%	annu	28/05/2015	EURO MTN	expensive	SR UNSECURED	BB+ / BB+ / Ba1	105.4	6.1	0.7%	n.a.	12		750 m	50 + 50
LAFARGE SA (LGFP)	XS0235605853	EUR	4.250%	annu	23/03/2016	EURO MTN	expensive	SR UNSECURED	BB+ / BB+ / Ba1	105.6	0.8	1.1%	n.a.	71		500 m	50 + 1
LAFARGE SA (LGFP)	XS0434974217	EUR	8.875%	annu	24/11/2016	EURO MTN	expensive	SR UNSECURED	BB+ / BB+ / Ba1	117.6	4.5	1.6%	n.a.	120		750 m	50 + 1
LAFARGE SA (LGFP)	XS0307005545	EUR	5.375%	annu	26/06/2017	EURO MTN	expensive	SR UNSECURED	BB+ / BB+ / Ba1	111.2	4.9	1.6%	n.a.	113		540 m	50 + 50
LAFARGE SA (LGFP)	XS0501648371	EUR	6.250%	annu	13/04/2018	EURO MTN	fair	SR UNSECURED	BB+ / BB+ / Ba1	113.9	0.8	2.4%	n.a.	185		500 m	50 + 1
LAFARGE SA (LGFP)	XS0562783034	EUR	6.625%	annu	29/11/2018	EURO MTN	fair	SR UNSECURED	BB+ / BB+ / Ba1	116.1	3.2	2.8%	n.a.	207		1,000 m	50 + 1

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
LAFARGE SA (LGFP)	XS0801954867	EUR	5.875%	annu	09/07/2019	EURO MTN	fair	SR UNSECURED	BB+ / BB+ / Ba1	117.3	5.2	2.3%	n.a.	144		500 m	100 + 1
LAFARGE SA (LGFP)	XS0473114543	EUR	6.750%	annu	16/12/2019	EURO MTN	fair	SR UNSECURED	BB+ / BB+ / Ba1	118.3	3.0	3.1%	n.a.	222		750 m	50 + 1
LAFARGE SA (LGFP)	XS0215159731	EUR	4.750%	annu	23/03/2020	EURO MTN	fair	SR UNSECURED	BB+ / BB+ / Ba1	112.4	0.8	2.4%	n.a.	150		500 m	1 + 1
LAFARGE SA (LGFP)	XS0975113498	EUR	4.750%	annu	30/09/2020	EURO MTN	attractive	SR UNSECURED	BB+ / BB+ / Ba1	112.3	3.1	2.6%	n.a.	158		750 m	100 + 1
LAFARGE SA (LGFP)	XS0430665108	GBP	10.000%	annu	30/05/2017	EURO MTN	fair	SR UNSECURED	BB+ / BB+ / Ba1	119.8	9.9	3.0%	n.a.	146		350 m	50 + 1
LAFARGE SA (LGFP)	XS0158276708	GBP	6.625%	annu	29/11/2017	EURO MTN	fair	SR UNSECURED	BB+ / BB+ / Ba1	113.5	3.2	2.6%	n.a.	87		200 m	1 + 1
LAFARGE SA (LGFP)	USF54432AG84	USD	6.200%	semi	09/07/2015	EURO-DOLLAR	fair	SR UNSECURED	BB+ / BB+ / Ba1	105.4	2.4	1.2%	n.a.	71		550 m	2 + 1
LAFARGE SA (LGFP)	US505861AB03	USD	6.500%	semi	15/07/2016	GLOBAL	illiq.	SR UNSECURED	BB+ / BB+ / Ba1	n.a.	2.4	n.a.	n.a.	n.a.		800 m	1 + 1
LAFARGE SA (LGFP)	US505861AC85	USD	7.125%	semi	15/07/2036	GLOBAL	illiq.	SR UNSECURED	BB+ / BB+ / Ba1	n.a.	2.6	n.a.	n.a.	n.a.		600 m	1 + 1

Steel-Producers: SCHMOLZ + BICKENBACH (B, stable / n.a. / B3, stable)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Schmolz+Bickenbach is one of the leading manufacturers and distributors of special steel long products. Automotive industries and engineering companies are two of the largest end consumers of S+B's products. The company started as a steel trader in 1919 and grew mostly through strategic acquisitions. After the capital increase in 2013, founding group S+B KG owns a 15.2% equity stake in the company while Russian investor Renova owns 25.5%. The company is headquartered in Switzerland and its shares are listed on the Swiss Stock Exchange.

Investment case

- Leading market presence in specialty tool, long stainless steel and engineering steel products in Europe.
- Strengthened balance sheet after the EUR 350m capital increase in October 2013.
- Focus on deleveraging; the company repaid EUR 90m of high yield bonds and a further EUR 231m of other senior debt after equity issue.
- Earnings to benefit from ongoing cost restructuring exercise; company targeting an EBITDA improvement of EUR 230m by 2016.

Key Risks

- Exposure to cyclical end markets: about 60% of the group's revenues are from automotive and engineering industries.
- Highly leveraged; net leverage increased sharply over the past two years and remains elevated despite the capital increase in October 2013.
- Weak profit margins; the group's EBITDA margins fell to 4.1% for LTM up to 3Q13 from 7.7% for 2012 amid a challenging market backdrop.
- Restructuring plan is long-dated, has execution risks and depends heavily on expectations for volume growth.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
SCHMOLZ + BICKENBACH LUX (STLNSW)	DE000A1G4PS9	EUR	9.875%	semi	15/05/2019	EURO-ZONE	attractive	SR SECURED	B / n.a. / B3	113.2	0.3	6.7%	3.4%	290	yes	168 m	100 + 1

Steel-Producers: STEEL DYNAMICS (BB+, positive / n.a. / Ba2, stable)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Steel Dynamics is a US-based steel company. The group has three main divisions: Metal recycling, steel operations and fabrication and has annual steelmaking capacity of 7.5 million tons. The group operates in a vertically integrated structure where recycled ferrous output from metal recycling plants feeds into steel operations. It is publicly listed and headquartered in Fort Wayne, Indiana.

Investment case

- Vertical integration and product diversification support the group's operating performance.
- The company operates several mini-mills which offer considerable flexibility in managing capacity.
- Good balance sheet and no near term maturities: refinanced about USD 1.2bn of debt in 3Q 2012 and 1Q 2013.
- Low maintenance capex need drives strong cash generation: the group has generated positive free cash flows every year since 2008.

Key Risks

- Steel industry is highly cyclical and the industry's operating performance is closely tied to macroeconomic conditions.
- Significant concentration in the sluggish non-residential construction market: about 55% of the group's sales volume is associated with this segment.
- Continued delay in operationalizing the iron nugget facility (which will feed the steel mills) is hurting the group's profitability.
- The group's reliance on short-term contracts exposes it to steel price fluctuations.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
STEEL DYNAMICS INC (STLD)	US858119AT71	USD	6.125%	semi	15/08/2019	GLOBAL	fair	COMPANY GUARNT	BB+ / n.a. / Ba2	109.5	1.7	4.1%	3.0%	239	yes	400 m	2 + 1
STEEL DYNAMICS INC (STLD)	US858119AR16	USD	7.625%	semi	15/03/2020	GLOBAL	fair	COMPANY GUARNT	BB+ / n.a. / Ba2	108.6	1.5	5.8%	1.4%	99	yes	350 m	2 + 1
STEEL DYNAMICS INC (STLD)	US858119AV28	USD	6.375%	semi	15/08/2022	GLOBAL	illiq.	COMPANY GUARNT	BB+ / n.a. / Ba2	n.a.	1.8	n.a.	n.a.	n.a.	yes	350 m	2 + 1
STEEL DYNAMICS INC (STLD)	US858119AZ32	USD	5.250%	semi	15/04/2023	GLOBAL	illiq.	COMPANY GUARNT	BB+ / n.a. / Ba2	n.a.	0.6	n.a.	n.a.	n.a.	yes	400 m	2 + 1

Steel-Producers: THYSSENKRUPP (BB, negative / BB+, negative / Ba1, negative)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



ThyssenKrupp is one of the largest industrial conglomerates in Germany. The company used to be one of the largest steel makers in the world until it decided to shrink that business. It is one of the world's leading elevator manufacturers and has a significant presence in plant technology and auto and engineering component business. The group was formed by the merger of Thyssen AG and Krupp AG in 1999, and the Krupp family retains a 23% share in the company. Activist investor Cevian had built up a stake of almost 11%.

Investment case

- One of the largest diversified industrial conglomerates in Germany, with a long history dating back to 1811.
- Strong operating performance and order book in the technology business, which has been the anchor earnings contributor.
- Disposal of US steel business, capital increase in 2013 and subsequent debt repayment have bolstered the group's balance sheet.
- Planned portfolio restructuring should leave the group with a strong focus on the profitable technology business.

Key Risks

- Lack of vertical integration in the European steel business is a competitive disadvantage compared to integrated peers such as ArcelorMittal.
- Transformation plan is being held back by the continued holdings in the Latin American steel business and European stainless steel businesses.
- Competitive environment and operating challenges at the Brazilian steel plant remain a drag on the group's cash-flows.
- Lower capital base after write-offs related to steel business has weakened the group's competitive position in bidding for large projects.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
THYSSENKRUPP AG (TKAGR)	DE000A0Z12Y2	EUR	9.250%	annu	18/06/2014	EURO MTN	fair	SR UNSECURED	BB / BB+ / Ba1	100.6	8.7	-2.5%	n.a.	-277		1,000 m	1 + 1
THYSSENKRUPP AG (TKAGR)	XS0214238239	EUR	4.375%	annu	18/03/2015	EURO MTN	fair	SR UNSECURED	BB / BB+ / Ba1	102.8	0.8	0.9%	n.a.	38		750 m	1 + 1
THYSSENKRUPP FIN NEDER (TKAGR)	DE000A0T61L9	EUR	8.500%	annu	25/02/2016	EURO MTN	fair	COMPANY GUARNT	BB / BB+ / Ba1	112.0	2.1	1.5%	n.a.	103		1,000 m	1 + 1
THYSSENKRUPP AG (TKAGR)	DE000A1MA9H4	EUR	4.375%	annu	28/02/2017	EURO MTN	fair	SR UNSECURED	BB / BB+ / Ba1	106.7	1.1	1.9%	n.a.	141		1,250 m	1 + 1
THYSSENKRUPP AG (TKAGR)	DE000A1R08U3	EUR	4.000%	annu	27/08/2018	EURO MTN	fair	SR UNSECURED	BB / BB+ / Ba1	107.0	3.0	2.2%	n.a.	159		1,600 m	1 + 1
THYSSENKRUPP AG (TKAGR)	DE000A1R0410	EUR	3.125%	annu	25/10/2019	EURO MTN	fair	SR UNSECURED	BB / BB+ / Ba1	103.2	0.8	2.5%	2.5%	165	yes	1,250 m	1 + 1

Steel-Producers: UNITED STATES STEEL CORP (BB-, stable / BB-, stable / B1, stable)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



United States Steel Corporation (US Steel) is the largest seamless tubular steel and second-largest flat rolled steel producer in North America. The group was formed in 1901 through a merger of ten steel companies and has gone through several transformations. Currently, it has manufacturing bases in North America and Slovakia. It also has integrated mining operations which supplies up to 25 million tons of iron ore pellets to its North American facilities.

Investment case

- Second-largest steel producer in North America with vertically integrated operations.
- Largest North American producer of tubular steel; highly leveraged to increasing drilling activities.
- Operations are largely concentrated in the US, which is showing better prospects for growth than Europe.
- Strong liquidity; the group had cash and equivalents of USD 697m and USD 1.7bn available under various credit facilities as of 30 September 2013.

Key Risks

- Steel industry is highly cyclical steel and extremely dependent on regional macroeconomic conditions.
- US Steel's key end consumers are automobile manufacturers, infrastructure and oil industries, which have cyclical demand patterns.
- Capital intensive operations; inflexible capacity and high fixed costs lead to a fall in profitability upon demand decline.
- Large pension and other post-employment benefits deficit; the group's pension and other post-employment benefits (OPEB) plans were underfunded by USD 4.9bn at the end of 2012.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
UNITED STATES STEEL CORP (X)	US912909AG34	USD	7.500%	semi	15/03/2022	GLOBAL	fair	SR UNSECURED	BB- / BB- / B1	110.2	1.5	5.9%	4.8%	400	yes	400 m	1 + 1

Bldg&Construct Prod-Misc: WIENERBERGER (n.a. / n.a. / Ba2, negative)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Wienerberger is the world's largest brick manufacturer and European leader in clay tiles. The company operated 221 factories across 30 countries at the end of 2012. The group reported sales of EUR 2.6bn for the twelve months ending June 2013. In H1 2013, it generated 52% of its revenues from its European brick and tile business, 39% from European pipe and roofing solutions and the remaining from North American business. The group is headquartered in Vienna and is publicly listed.

Investment case

- World's largest brick manufacturer, Europe's largest producer of clay roof tiles and leading supplier of pipe solutions
- Significant control over raw material sourcing with about two-thirds of clay sourced from the group's own mines
- Ongoing cost reduction measures likely to support operating margins
- Healthy liquidity position and balanced debt maturity structure

Key Risks

- Operates in a highly cyclical and seasonal industry with low entry barriers and high pricing pressure
- Highly operationally leveraged with about 60% of its cost base fixed, which may lead to a sharp decline in profitability if demand declines further
- Key markets still experiencing a challenging demand environment
- Strong chance of a rating downgrade from Moody's

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
WIENERBERGER AG (WIEAV)	AT0000A0H999	EUR	4.875%	annu	07/07/2014	EURO MTN	illiq.	SR UNSECURED	NR / n.a. / Ba2	n.a.	4.3	n.a.	n.a.	n.a.		250 m	1 + 1
WIENERBERGER AG (WIEAV)	XS0731071055	EUR	5.000%	annu	01/08/2015	EURO-ZONE	expensive	SR UNSECURED	NR / n.a. / n.a.	104.5	4.1	1.1%	n.a.	57		200 m	1 + 1
WIENERBERGER AG (WIEAV)	AT0000A0PQY4	EUR	5.250%	annu	04/07/2018	EURO-ZONE	expensive	SR UNSECURED	NR / n.a. / Ba2	112.5	4.7	2.0%	n.a.	140		100 m	1 + 1
WIENERBERGER AG (WIEAV)	AT0000A100E2	EUR	4.000%	annu	17/04/2020	EURO-ZONE	fair	SR UNSECURED	n.a. / n.a. / Ba2	106.3	0.4	2.8%	n.a.	187		300 m	1 + 1

Sector: Pulp and paper



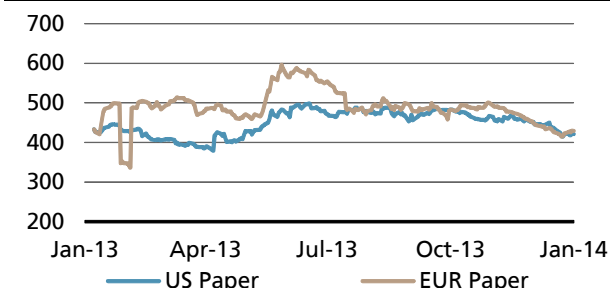
Sector description

The forestry products business is capital-intensive, and business dynamics can vary materially for companies operating in different parts of the production chain. Forestry and pulp production have been profitable lately, while the graphic paper business (newsprint, books, and magazines) has struggled. Given this background, most European paper makers have been trying to diversify their portfolio away from Europe and graphic paper.

Performance and sector outlook

We believe that the European graphic paper industry is in the midst of a structural decline, as consumers are gradually shifting to electronic platforms. It is thus suffering from overcapacity and pricing issues, even though a number of mills have closed since 2010. We expect further capacity closures and cost restructuring at companies with significant exposure to this segment. Pulp and energy businesses, however, will likely maintain healthy EBITDA margins and will be the core earnings drivers for most of the companies. Credit metrics for large players trying to diversify will probably remain stretched due to higher capex spends.

OAS for the paper sector



Source: Barclays, UBS, as of October 2013

Paper&Related Products: LECTA SA (B, stable / n.a. / B2, stable)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Lecta SA is a large European graphic paper manufacturer with a leading market position in Southern Europe. The group has a production capacity of 1.3million tonne of coated woodfree (CWF) and specialty paper. Private equity group CVC formed the company by combining three paper companies it acquired in Italy, France and Spain between 1997 and 1999. Since then, Lecta has increased its control over the distribution channel by acquiring trading companies.

Investment case

- Leading market share in ist core markets Spain, Italy and France.
- Active in the higher margin spectrum of the paper business.
- The proximity of ist plants to customers offers higher flexibility in the management of production and transportation.
- Strong liquidity position and track record of strong cash generation.

Key Risks

- Focused on the European graphic paper business, which we believe is structurally declining.
- Exposed to high pulp prices; only 30% vertical integration through Toraspapel.
- High leverage; earnings declined substantially over last two years.
- Recent change in renewable energy remuneration framework in Spain could increase energy costs materially.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
LECTA SA (LECTA)	XS0780141999	EUR	5.835%	quart	15/05/2018	EURO-ZONE	fair	SR SECURED	B / n.a. / B2	97.8	0.2	6.5%	50.1%		yes	390 m	100 + 1
LECTA SA (LECTA)	XS0780068036	EUR	8.875%	semi	15/05/2019	EURO MTN	fair	SR SECURED	B / n.a. / B2	106.1	0.3	7.4%	8.9%	659	yes	200 m	100 + 1

Paper&Related Products: SAPPI LIMITED (n.a. / n.a. / B2, stable)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Sappi is one of the leading global fine paper and specialized pulp makers with a significant presence in Europe, North America and South Africa. The group was founded in 1936 and is now the world's largest dissolving pulp and second-largest coated woodfree (CWF) paper manufacturer. The group is headquartered in Johannesburg and is publicly listed.

Investment case

- One of the largest global pulp and paper producers with a growing presence in the profitable dissolving pulp market.
- Relatively protected from raw material cost fluctuation; 95% net vertical integration.
- Efficient cost base; the group closed 19 relatively inefficient mills between 1995 and 2012.
- Two new cellulose capacities should contribute substantial earnings from 2014 onwards.

Key Risks

- Close to 50% of the group's revenues are generated through the fine paper business in Europe; further restructuring in the division cannot be ruled out given the persisting structural weakness.
- Credit metrics could weaken sharply if market conditions in the fine paper business deteriorate materially.
- The group's pricing power in the dissolving pulp market could decline if capacity exceeding current plans in the industry is added.
- The group's credit metrics are now stretched for current ratings; downgrades are possible if earnings recovery through the new cellulose capacity is weaker than expected.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
SAPPI PAPIER HOLDNG GMBH (SAPSI)	XS0615932331	EUR	6.625%	semi	15/04/2018	EURO-ZONE	fair	SR SECURED	BB / n.a. / Ba2	107.9	0.8	4.4%	1.3%	79	yes	250 m	100 + 1
SAPPI PAPIER HOLDNG GMBH (SAPSI)	USA35868AB33	USD	7.750%	semi	15/07/2017	EURO-DOLLAR	fair	SR SECURED	BB / n.a. / Ba2	112.1	2.8	3.6%	3.3%	244	yes	400 m	200 + 1
SAPPI PAPIER HOLDNG GMBH (SAPSI)	US803071AD14	USD	8.375%	semi	15/06/2019	PRIV PLACEMENT	fair	SR SECURED	BB / n.a. / Ba2	111.9	3.8	5.6%	2.7%	219	yes	300 m	200 + 1
SAPPI PAPIER HOLDNG GMBH (SAPSI)	USA35868AA59	USD	6.625%	semi	15/04/2021	EURO-DOLLAR	attractive	SR SECURED	BB / n.a. / Ba2	105.5	0.8	5.6%	5.2%	468	yes	350 m	200 + 1
SAPPI PAPIER HOLDNG GMBH (SAPSI)	US803071AA74	USD	6.625%	semi	15/04/2021	PRIV PLACEMENT	fair	SR SECURED	BB / n.a. / Ba2	105.4	0.8	5.7%	5.3%	476	yes	350 m	200 + 1
SAPPI PAPIER HOLDNG GMBH (SAPSI)	US803070AB74	USD	7.500%	semi	15/06/2032	PRIV PLACEMENT	illiq.	COMPANY GUARNT	B / n.a. / B2	n.a.	3.4	n.a.	n.a.	n.a.		221 m	1 + 1

Paper&Related Products: STORA ENSO (BB, stable / BB-, stable / Ba2, negative)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



Headquartered in Helsinki, Stora Enso is one of the world's largest vertically integrated forestry players. The company was formed in 1998 by the merger of Swedish conglomerate Stora and Finnish forestry major Enso-Gutyeit. The company has since acquired large capacities in China and South America. It also has a sizeable business in North America despite having disposed a large part in 2007.

Investment case

- One of the largest paper and forest product producers in the world
- Sizeable diversion away from the weakening graphic paper business; renewable packaging and wood-based products accounted for about 50% of the group's operating income in 2012
- Strong and consistent free cash flow generation
- Adequate liquidity and spread out debt maturity profile

Key Risks

- Still considerable exposure to graphic paper business, which is going through structural decline
- Core European market still struggling with overcapacity and sluggish market conditions
- Continuing large capacity investments in Uruguay and China will need higher capex in coming years and also bear execution risks
- Sub-par credit metrics from a rating perspective

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
STORA ENSO OYJ (STERV)	XS0194948617	EUR	5.125%	annu	23/06/2014	EURO MTN	fair	SR UNSECURED	BB / BB- / Ba2	100.5	4.7	-2.8%	n.a.	-313		258 m	1 + 1
STORA ENSO OYJ (STERV)	XS0456197291	EUR	4.529%	quart	07/10/2016	EURO MTN	illiq.	SR UNSECURED	BB / n.a. / n.a.	n.a.	0.6	n.a.	n.a.	n.a.		390 m	500 + 500
STORA ENSO OYJ (STERV)	XS0830688411	EUR	5.000%	annu	19/03/2018	EURO MTN	fair	SR UNSECURED	BB / BB- / Ba2	109.8	0.9	2.3%	n.a.	170		500 m	100 + 1
STORA ENSO OYJ (STERV)	XS0754290459	EUR	5.500%	annu	07/03/2019	EURO MTN	fair	SR UNSECURED	BB / BB- / Ba2	112.8	1.2	2.6%	n.a.	186		500 m	100 + 1
STORA ENSO OYJ (STERV)	USX8662DAV92	USD	6.404%	semi	15/04/2016	EURO-DOLLAR	fair	SR UNSECURED	BB / BB- / Ba2	109.1	0.7	1.5%	n.a.	96		508 m	100 + 1

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
STORA ENSO OYJ (STERV)	USX8662DAW75	USD	7.250%	semi	15/04/2036	EURO-DOLLAR	fair	SR UNSECURED	BB / BB- / Ba2	103.5	0.8	6.9%	n.a.	368		300 m	100 + 1

Paper&Related Products: UPM-KYMMENE (BB, positive / BB, stable / Ba1, stable)

Analyst: Jayadev Mishra (jayadev.mishra@ubs.com)

UBS credit view on senior bonds



UPM-Kymmene Oyj is a large vertically integrated forestry products company with production facilities on six continents. UPM deals in chemical pulp, graphic papers, self-adhesive label materials, plywood, timber and energy products. The company was formed in the mid-1990s through the merger of Kymmene and Repola Ltd (parent of United Paper Mills) and is headquartered in Helsinki.

Investment case

- One of the largest global pulp and paper producers with strong geographic diversification
- Growing product diversification; energy and label business together accounted for about 50% of the group's EBIT in 2012
- Strong cash generation; positive free cash flows before dividends from 2008 to 2012
- Upcoming pulp and energy capacities should be cash-generative in 2014

Key Risks

- Close to 50% of the group's revenues are generated through the paper business in Western Europe; the ongoing structural decline in the European paper business will likely entail further restructuring and capacity reduction measures
- The diversification away from the European paper business is capital-intensive and slow; earnings volatility will thus likely persist, at least through 2014
- Operating cash flow-based dividend distribution limits deleveraging prospects
- UPM's previous restructuring programs have not yielded sustainable margin improvements

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
UPM-KYMMENE OYJ (UPMKYM)	XS0142045474	GBP	6.625%	annu	23/01/2017	EURO MTN	fair	SR UNSECURED	BB / BB / Ba1	110.1	2.3	2.6%	n.a.	123		250 m	1 + 1
UPM-KYMMENE OYJ (UPMKYM)	USX9518SAR95	USD	5.625%	semi	01/12/2014	EURO MTN	illiq.	SR UNSECURED	BB / BB / Ba1	n.a.	2.8	n.a.	n.a.	n.a.		500 m	1 + 1
UPM-KYMMENE OYJ (UPMKYM)	USX9518SAU25	USD	5.500%	semi	30/01/2018	EURO-DOLLAR	illiq.	SR UNSECURED	BB / BB / Ba1	n.a.	1.8	n.a.	n.a.	n.a.		250 m	1 + 1
UPM-KYMMENE OYJ (UPMKYM)	USX9518SAB44	USD	7.450%	semi	26/11/2027	EURO-DOLLAR	fair	SR UNSECURED	BB / BB / Ba1	111.3	0.0	6.2%	n.a.	328		375 m	1 + 1

Sector: Telecommunications



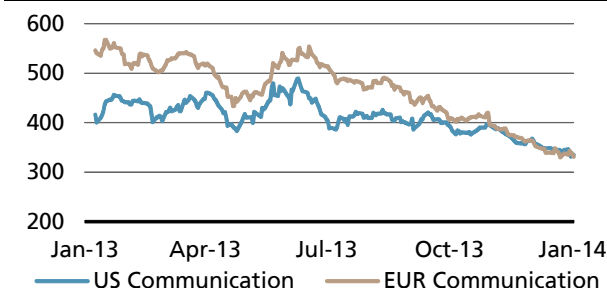
Sector description

The European telecoms sector is under pressure due primarily to intrusive EU regulations, heightened competition, shifts in consumer behavior towards data and macroeconomic weakness. Wireline voice is in structural decline due to substitution for wireless and cable/fiber networks. The pressure is only partly offset by increasing wireline data as broadband internet penetration begins to reach saturation. Wireless voice is also facing pressure from the substitution for lower-cost data due to strong smartphone growth and government regulations leading to reduced mobile termination rates and roaming costs along with allowing competitors access to proprietary networks. Furthermore, capital expenditures are elevated due to a massive increase in data growth and need to roll-out upgraded 4G/LTE networks.

Performance and sector outlook

The outlook for the European telecoms sector is negative. We expect continued economic weakness for most of Europe through 2014 with a continuation of the industry specific themes detailed previously. Namely these are further pressure on wireline voice services, growing demand for data, intense wireless competition, further regulatory burdens and high capital spending to upgrade networks.

OAS for the communication sector



Source: Barclays, UBS, as of October 2013

Telecom Services: ALTICE SA (n.a. / n.a. / (P)B3, stable)

Analyst: Thomas Keller (thomas.m.keller@ubs.com)

UBS credit view on senior bonds



Altice SA is a multinational cable and mobile telecommunications service provider with operations in France, Israel, the Dominican Republic, Belgium, Luxembourg, Portugal, French Caribbean and overseas territories, and Switzerland. The company provides television, broadband and fixed-line services as well as mobile telecommunications primarily to residential customers as well as corporate customers. Altice SA has experienced rapid non-organic expansion, particularly with the acquisition of Societe Francaise du Radiotelephone (SFR), a large French-based mobile telecommunications firm.

Investment case

- Significant increase in scale and broadened market penetration following the SFR transaction.
- Opportunity for product cross-selling as mobile, cable and fiber platforms converge.
- Potential for meaningful synergies and cost savings.
- Entrepreneurial and opportunistic management.

Key Risks

- Increased exposure to the highly competitive French mobile telecommunications market.
- Rapid and aggressive acquisition-driven growth leading to increased debt, higher leverage and reduced free cash flow.
- Potential operational and managerial challenges following a massive increase in scale and integration requirements.
- Altice SA lacks full ownership of Numericable Group, its most important division.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
ALTICE FINANCING SA (ALTICE)	XS0864611610	EUR	8.000%	semi	15/12/2019	EURO-ZONE	fair	SR SECURED	BB- / n.a. / B1	110.3	3.6	5.8%	3.6%	316	yes	210 m	100 + 1
ALTICE FINANCING SA (ALTICE)	XS1003905152	EUR	6.500%	semi	15/01/2022	EURO-ZONE	attractive	SR SECURED	BB- / n.a. / B1	106.5	3.0	5.4%	5.5%	431	yes	300 m	100 + 1
ALTICE SA (ATCNA)	XS1061642317	EUR	7.250%	semi	15/05/2022	EURO-ZONE	fair	SR SECURED	(P)B / n.a. / (P)B3	104.5	0.4	6.5%	7.2%	547	yes	2,075 m	100 + 1
ALTICE FINCO SA (ALTICE)	XS0946155693	EUR	9.000%	semi	15/06/2023	EURO-ZONE	fair	COMPANY GUARNT	B- / n.a. / B3	115.9	3.3	6.6%	5.6%	503	yes	250 m	100 + 1
ALTICE FINANCING SA (ALTICE)	USL0178WAA01	USD	7.875%	semi	15/12/2019	EURO-DOLLAR	attractive	SR SECURED	BB- / n.a. / B1	110.1	3.5	5.7%	3.6%	309	yes	460 m	200 + 1
ALTICE FINCO SA (ALTICE)	USL0179RAA07	USD	9.875%	semi	15/12/2020	EURO-DOLLAR	fair	SR SECURED	B- / n.a. / B3	115.7	4.4	6.9%	5.0%	432	yes	425 m	200 + 1
ALTICE FINANCING SA (ALTICE)	USL0178WAE23	USD	6.500%	semi	15/01/2022	EURO-DOLLAR	attractive	SR SECURED	BB- / n.a. / B1	105.9	3.0	5.5%	5.8%	346	yes	900 m	200 + 1
ALTICE SA (ATCNA)	USL0179ZAA23	USD	7.750%	semi	15/05/2022	EURO MTN	fair	COMPANY GUARNT	(P)B / n.a. / (P)B3	104.6	0.4	7.0%	7.8%	489	yes	2,900 m	200 + 1

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
ALTICE FINCO SA (ALTICE)	USL0179RAF93	USD	8.125%	semi	15/01/2024	EURO-DOLLAR	fair	COMPANY GUARNT	B- / n.a. / B3	108.8	3.7	6.9%	6.6%	457	yes	400 m	200 + 1

Telephone-Integrated: CENTURYLINK (BB, stable / BB+, stable / Ba2, negative)

Analyst: Thomas Keller (thomas.m.keller@ubs.com)

UBS credit view on senior bonds



CenturyLink Inc (CTL) is a US-based telecommunications company that provides voice telephone, broadband and wireless data, private line, hosting (including cloud hosting) and network services. According to CTL, it is the third largest wireline telecoms company in the US based on total access lines. As of December 2013, CTL had 6 million broadband subscribers, 13 million access lines and 55 data centers. Its operations are concentrated in 12 of the 50 US states with operations reaching into a further 25 states. CTL is the incumbent telephone company in the states where it has access lines.

Investment case

- Significant scale and solid market positions.
- Robust earnings power and good liquidity.
- Slowly improving revenue developments.
- Initiatives to expand broadband, television, fiber data lines and data hosting expected to drive future growth.

Key Risks

- An aggressive shareholder remuneration policy effected through share buybacks and dividends.
- Retail wireline voice is in structural decline as consumers increasingly move to wireless services.
- Significant capital investments required to maintain infrastructure and support growth initiatives.
- The telecoms industry is highly competitive and regulated.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
QWEST CORP (CTL)	US74913GAG01	USD	7.500%	semi	01/10/2014	GLOBAL	illiq.	SR UNSECURED	BBB- / BBB- / Baa3	n.a.	1.2	n.a.	n.a.	n.a.		600 m	1 + 1
QWEST CORP (CTL)	US74913GAK13	USD	7.625%	semi	15/06/2015	GLOBAL	illiq.	SR UNSECURED	BBB- / BBB- / Baa3	n.a.	3.4	n.a.	n.a.	n.a.		92 m	1 + 1
QWEST CORP (CTL)	US74913GAW50	USD	8.375%	semi	01/05/2016	GLOBAL	illiq.	SR UNSECURED	BBB- / BBB- / Baa3	n.a.	0.6	n.a.	n.a.	n.a.		235 m	2 + 1
QWEST CORP (CTL)	US74913GAT22	USD	6.500%	semi	01/06/2017	GLOBAL	fair	SR UNSECURED	BBB- / BBB- / Baa3	113.5	3.2	1.9%	n.a.	95		500 m	2 + 1
CENTURYLINK INC (CTL)	US156700AW62	USD	5.625%	semi	01/04/2020	GLOBAL	attractive	SR UNSECURED	BB / BB+ / Ba2	106.0	0.9	4.4%	n.a.	258		1,000 m	2 + 1
QWEST CAPITAL FUNDING (CTL)	US74913EAQ35	USD	7.625%	semi	03/08/2021	GLOBAL	illiq.	COMPANY GUARNT	BB / BB+ / WR	n.a.	2.4	n.a.	n.a.	n.a.		97 m	1 + 1
QWEST CORP (CTL)	US74913GAX34	USD	6.750%	semi	01/12/2021	GLOBAL	attractive	SR UNSECURED	BBB- / BBB- / Baa3	115.7	3.3	4.3%	n.a.	204		950 m	2 + 1
Qwest Corp, the largest operating subsidiary of CenturyLink Inc, is rated higher than its parent due to structural seniority and lower leverage.																	
CENTURYLINK INC (CTL)	US156700AS50	USD	5.800%	semi	15/03/2022	GLOBAL	attractive	SR UNSECURED	BB / BB+ / Ba2	104.1	1.2	5.2%	n.a.	285		1,400 m	2 + 1
CENTURYLINK INC (CTL)	US156700AX46	USD	6.750%	semi	01/12/2023	GLOBAL	fair	SR UNSECURED	BB / BB+ / Ba2	108.9	3.4	5.5%	n.a.	297		750 m	2 + 1
QWEST CAPITAL FUNDING (CTL)	US74913EAJ91	USD	7.750%	semi	15/02/2031	GLOBAL	illiq.	COMPANY GUARNT	BB / BB+ / WR	n.a.	2.2	n.a.	n.a.	n.a.		358 m	1 + 1
CENTURYLINK INC (CTL)	US156700AT34	USD	7.650%	semi	15/03/2042	GLOBAL	fair	SR UNSECURED	BB / BB+ / Ba2	99.8	1.5	7.7%	n.a.	434		650 m	2 + 1

Telephone-Integrated: FRONTIER COMMUNICATIONS (BB-, stable / BB, stable / Ba2, watch -)

Analyst: Thomas Keller (thomas.m.keller@ubs.com)

UBS credit view on senior bonds



Frontier Communications (FTR) is the fourth-largest incumbent wireline telecommunications company in the United States with 3.1 million customers and 1.9 million broadband connections. FTR offers telephone voice, wireline and wireless broadband internet, digital television and computer technical support primarily to residential and small-business customers in 27 US states. FTR is currently in the process of acquiring AT&T's wireline business in Connecticut.

Investment case

- Significant scale and strong market positions.
- Stable cash flow generation.
- Good liquidity profile, albeit set to weaken following a planned acquisition.
- Potential to improve business dynamics through further transitioning to broadband, upselling and product bundling.

Key Risks

- High level of competition and continuing downward pressure on revenues and margins.
- Aggressive shareholder remuneration policy.
- Creditor-unfriendly, debt-funded acquisitions and management tolerance for an elevated debt load.
- Capital-intensive industry with large ongoing capital investment requirements.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
FRONTIER COMMUNICATIONS (FTR)	US17453BAT89	USD	6.625%	semi	15/03/2015	GLOBAL	illiq.	SR UNSECURED	BB- / BB / Ba2	n.a.	1.3	n.a.	n.a.	n.a.		105 m	1 + 1
FRONTIER COMMUNICATIONS (FTR)	US35906AAD00	USD	7.875%	semi	15/04/2015	GLOBAL	illiq.	SR UNSECURED	BB- / BB / Ba2	n.a.	0.9	n.a.	n.a.	n.a.		96 m	2 + 1
FRONTIER COMMUNICATIONS (FTR)	US35906AAF57	USD	8.250%	semi	15/04/2017	GLOBAL	fair	SR UNSECURED	BB- / BB / Ba2		1.0	%	n.a.			607 m	2 + 1
FRONTIER COMMUNICATIONS (FTR)	US17453BAW19	USD	7.125%	semi	15/03/2019	GLOBAL	fair	SR UNSECURED	BB- / BB / Ba2	113.5	1.4	4.0%	n.a.	243		434 m	1 + 1
FRONTIER COMMUNICATIONS (FTR)	US35906AAH14	USD	8.500%	semi	15/04/2020	GLOBAL	fair	SR UNSECURED	BB- / BB / Ba2	117.5	1.0	5.0%	n.a.	313		1,022 m	2 + 1
FRONTIER COMMUNICATIONS (FTR)	US35906AAK43	USD	8.750%	semi	15/04/2022	GLOBAL	fair	SR UNSECURED	BB- / BB / Ba2	115.0	1.0	6.3%	n.a.	398		500 m	2 + 1
FRONTIER COMMUNICATIONS (FTR)	US17453BAS07	USD	7.875%	semi	15/01/2027	GLOBAL	fair	SR UNSECURED	BB- / BB / Ba2		2.9	%	n.a.			346 m	1 + 1
FRONTIER COMMUNICATIONS (FTR)	US17453BAJ08	USD	9.000%	semi	15/08/2031	GLOBAL	fair	SR UNSECURED	BB- / BB / Ba2	106.6	2.6	8.3%	n.a.	514		945 m	1 + 1

Cellular Telecom: MATTERHORN MOBILE (n.a. / n.a. / B1, stable)

Analyst: Thomas Keller (thomas.m.keller@ubs.com)

UBS credit view on senior bonds



Matterhorn, better known as Orange Switzerland, is well placed in an attractive and relatively stable Swiss telecommunications environment. Barriers to entry are high and its recent business performance has been robust. Orange has a high percentage of post-paid (i.e. long-term contract; 66%) customers and generally pursues higher end customers and migration away from pre-paid services. This has helped offset a more competition following more aggressive Swisscom pricing in 2012. Balancing Orange's operating profile is its highly leveraged capital structure. Orange also lacks a landline infrastructure and television product.

Investment case

- Strong market position in the mature and stable Swiss mobile telecoms market.
- Improving operating performance, growing customer base, reduced churn, and more focused managerial attention.
- Adequate financial flexibility and limited near-term debt maturities.
- Barriers to entry are high.

Key Risks

- Highly leveraged capital structure and financially aggressive shareholder policy.
- Focused on mobile telecommunications, with no fixed-line business and limited ability to bundle various services (e.g. no television).
- Limited pricing power in a market dominated by Swisscom.
- Eventual re-branding poses a risk.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
MATTERHORN MOBILE SA (MATTER)	XS0826156100	CHF	5.393%	quart	15/05/2019	Euro-Non\$	fair	SR SECURED	B+ / n.a. / B1	101.6	0.2	5.0%	-3.7%		yes	120 m	150 + 1

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
MATTERHORN MOBILE SA (MATTER)	XS0742406407	CHF	6.750%	semi	15/05/2019	Euro-Non\$	fair	SR SECURED	B+ / n.a. / B1	107.9	1.9	4.9%	2.5%	241	yes	450 m	150 + 1
MATTERHORN MOBILE SA (MATTER)	XS0744127936	EUR	5.585%	quart	15/05/2019	EURO-ZONE	fair	SR SECURED	B+ / n.a. / B1	101.9	0.2	5.1%	-6.8%		yes	330 m	100 + 1
MATTERHORN MIDCO & CY SC (MATTER)	XS0834481482	EUR	7.750%	semi	15/02/2020	EURO-ZONE	fair	COMPANY GUARNT	CCC+ / n.a. / Caa1	108.0	0.3	6.1%	5.0%	464	yes	155 m	100 + 1
MATTERHORN MOBILE HLDGS (MATTER)	XS0742407983	EUR	8.250%	semi	15/02/2020	EURO MTN	fair	SR SECURED	CCC+ / n.a. / B3	110.5	2.3	6.0%	4.1%	377	yes	225 m	100 + 1

Cable/Satellite TV: NUMERICABLE GROUP SA (B+, stable / n.a. / (P)Ba3,)

Analyst: Thomas Keller (thomas.m.keller@ubs.com)

UBS credit view on senior bonds



Numericable Group is the largest cable communications operator in France. It provides broadband, voice telephony, television, and following the acquisition of SFR, mobile telecom services to retail, business and wholesale clients. Numericable Group is 60% owned by Altice S.A following the acquisition of SFR.

Investment case

- Significant increase in scale and broadened market penetration following the SFR transaction.
- Opportunity for product cross-selling as mobile, cable and fiber platforms converge.
- Potential for meaningful synergies and cost savings.
- Closing of the SFR transaction is expected during the fourth quarter of 2014.

Key Risks

- Highly exposed to the competitive French mobile telecommunications market.
- Rapid and aggressive acquisition-driven growth leading to increased debt, higher leverage and reduced free cash flow.
- Potential operational and managerial challenges following a massive increase in scale and integration requirements.
- Need to distribute a large portion of earnings to support the Altice SA bond interest payments.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
NUMERICABLE GROUP SA (NUMFP)	XS1028956222	EUR	5.375%	semi	15/05/2022	EURO-ZONE	attractive	SR SECURED	B+ / n.a. / (P)Ba3	104.6	0.3	4.7%	5.0%	357	yes	1,000 m	100 + 1
NUMERICABLE GROUP SA (NUMFP)	XS1028956149	EUR	5.625%	semi	15/05/2024	EURO-ZONE	fair	SR SECURED	B+ / n.a. / (P)Ba3	104.8	0.3	5.0%	5.0%	365	yes	1,250 m	100 + 1
NUMERICABLE GROUP SA (NUMFP)	USF6627WAA11	USD	4.875%	semi	15/05/2019	EURO-DOLLAR	fair	SR SECURED	B+ / n.a. / (P)Ba3	102.0	0.3	4.4%	5.6%	304	yes	2,400 m	200 + 1
NUMERICABLE GROUP SA (NUMFP)	USF6627WAB93	USD	6.000%	semi	15/05/2022	EURO-DOLLAR	attractive	SR SECURED	B+ / n.a. / (P)Ba3	103.7	0.3	5.4%	6.0%	336	yes	4,000 m	200 + 1
NUMERICABLE GROUP SA (NUMFP)	USF6627WAC76	USD	6.250%	semi	15/05/2024	EURO-DOLLAR	fair	SR SECURED	B+ / n.a. / (P)Ba3	104.0	0.3	5.7%	5.9%	329	yes	1,375 m	200 + 1

Telephone-Integrated: OTE PLC (n.a. / n.a. / B2, stable)

Analyst: Thomas Keller (thomas.m.keller@ubs.com)

UBS credit view on senior bonds



Hellenic Telecommunications Organization SA, also known as OTE (from its Greek initials), is the leading telecommunications provider in Greece as well as South Eastern Europe, offering fixed-line and mobile telephony, broadband and data services. It has leading market positions in Greece (#1), Albania (#2) and Romania (#1), with subscribers totaling (in millions) 15.6 for mobile, 5.2 for fixed-line, 2.5 for broadband and 1.5 for television as of September 2013. The former state-owned monopoly, OTE was gradually privatized, with Deutsche Telekom now the largest shareholder (40% stake).

Investment case

- Strong market positions for both fixed-line and mobile telephony. Signs of improving operating performance.
- Improved liquidity position, stable EBITDA margins and resilient cash flow generation.
- Restructured debt profile along with improvements to cost structure.
- Implicit support from Deutsche Telekom which is a 40% shareholder.

Key Risks

- Macroeconomic and competitive challenges intensify leading to further revenue pressure.
- OTE's ratings are constrained by the ratings of the Greek government.
- Operations highly concentrated in Greece following recent asset sales.
- Greece exits from the European Union.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
OTE PLC (HTOGA)	XS0346402463	EUR	7.250%	annu	12/02/2015	EURO MTN	fair	COMPANY GUARNT	BB- / WD / B2	103.9	2.1	1.6%	n.a.	109		788 m	50 + 1
OTE PLC (HTOGA)	XS0275776283	EUR	4.625%	annu	20/05/2016	EURO MTN	fair	COMPANY GUARNT	BB- / WD / B2	104.3	0.1	2.4%	n.a.	199		895 m	50 + 50
OTE PLC (HTOGA)	XS0885718782	EUR	7.875%	semi	07/02/2018	EURO MTN	fair	COMPANY GUARNT	BB- / n.a. / B2	116.0	2.4	3.2%	n.a.	270		700 m	100 + 1

Telephone-Integrated: SUNRISE (n.a. / n.a. / Ba3, stable)

Analyst: Thomas Keller (thomas.m.keller@ubs.com)

UBS credit view on senior bonds



Sunrise is the second largest telecoms operator in Switzerland, offering mobile and landline voice, data and television services. It operates under the brands Sunrise, yallo, Lebara and Ortel. Sunrise was acquired in 2010 by CVC Capital Partners, a private equity investor. As of September 2013, Sunrise had 3.3 million subscribers with market shares of 22% for mobile and 12% for landline. Sunrise owns the majority of its mobile network, which is supported by a high-speed fiber-optic backbone and managed by Huawei.

Investment case

- Solid market position in the mature and stable Swiss mobile telecoms market. Barriers to entry are high.
- Comprehensive and competitive product offering: mobile and landline voice and data along with television.
- Stable cash flow generation.
- Adequate financial flexibility and limited near-term debt maturities.

Key Risks

- Highly leveraged capital structure and financially aggressive shareholder policy.
- Low revenue and EBITDA growth with minimal, if any, market share gains expected in the near term.
- Limited pricing power in a market dominated by Swisscom and recently increased competitive positioning by competitors.
- Potential change of control due to sale to a new owner could result in repayment of bonds at 101, resulting in a capital loss.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
SUNRISE COMMUNICATIONS I (SUNCOM)	XS0548100246	CHF	7.000%	semi	31/12/2017	EURO MTN	fair	SR SECURED	BB- / BB / Ba3	106.0	2.9	5.1%	-3.8%	-381	yes	300 m	150 + 1
SUNRISE COMMUNICATIONS I (SUNCOM)	XS0804472057	CHF	5.625%	semi	31/12/2017	EURO MTN	fair	SR SECURED	BB- / BB / Ba3	103.8	2.3	4.5%	-0.7%	-68	yes	370 m	150 + 1
SUNRISE COMMUNICATIONS I (SUNCOM)	XS0548101723	EUR	7.000%	semi	31/12/2017	EURO MTN	fair	SR SECURED	BB- / BB / Ba3	106.0	2.9	5.2%	-2.7%	-304	yes	496 m	100 + 1
SUNRISE COMMUNICATIONS I (SUNCOM)	XS0804458064	EUR	5.063%	quart	31/12/2017	EURO-ZONE	fair	SR SECURED	BB- / BB / Ba3	101.8	0.8	4.5%	-5.9%		yes	167 m	100 + 1
SUNRISE COMMUNICATIONS H (SUNCOM)	XS0548102531	EUR	8.500%	semi	31/12/2018	EURO MTN	fair	SECURED	B- / B / B3	107.8	3.5	6.5%	2.3%	187	yes	561 m	100 + 1

Telecom Services: TELENET GROUP HOLDING (B+, stable / n.a. / n.a.)

Analyst: Thomas Keller (thomas.m.keller@ubs.com)

UBS credit view on senior bonds



Telenet is the largest provider of cable services in Belgium, supplying television, broadband internet and fixed telephony, as well as mobile telephony services to residential and business customers. It also provides television content such as Belgian football and films. Its cable network, which is supported by a fiber backbone, covers approximately 61% of homes in Belgium with a concentration in the Flanders region and Brussels. For the year ending September 2012, Telenet had 2.1 million cable and 0.7 million mobile customers, generating revenues of EUR 1.6bn and EBITDA of EUR 776m (47.9% EBITDA margin) with leverage of 5x. Liberty Global owns approximately 58% of Telenet. As of 18Dec13, Telenet had a market capitalization of EUR 4.6bn.

Investment case

- Strong market share in Belgium broadband internet and cable television, with expanding presence in mobile telephony and business services.
- Financial performance has been bolstered by an ongoing migration to digital services and product bundling.
- Further growth upside from cross-selling and continued product bundling.
- Telenet benefits from low customer churn, good liquidity and a back-dated debt maturity profile.

Key Risks

- Aggressive financial profile and high leverage in-line with the priorities of the majority owner Liberty Global.
- Growing competition as telecommunication services continue to converge.
- Competitors gaining regulated wholesale access to Telenet's cable network could potentially weaken its competitive position and ability to manage pricing.
- Limited geographic diversity.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
TELENET FINANCE LUX (TNETBB)	XS0555929263	EUR	6.375%	semi	15/11/2020	EURO-ZONE	fair	SR SECURED	B+ / BB / B1	107.2	0.2	5.1%	3.4%	297	yes	500 m	100 + 1
TELENET FINANCE III LUX (TNETBB)	XS0592445075	EUR	6.625%	semi	15/02/2021	EURO-ZONE	fair	SR SECURED	B+ / BB / B1	108.0	1.9	5.2%	3.7%	328	yes	300 m	100 + 1
TELENET FINANCE IV LUXEM (TNETBB)	XS0615238390	EUR	4.179%	quart	15/06/2021	EURO-ZONE	fair	SR SECURED	B+ / BB / B1	102.4	0.8	3.8%	-0.8%		yes	400 m	100 + 1
TELENET FINANCE V (TNETBB)	XS0783935488	EUR	6.250%	semi	15/08/2022	EURO-ZONE	fair	SR SECURED	B+ / BB / B1	108.7	1.8	4.9%	4.2%	378	yes	450 m	100 + 1
TELENET FINANCE V (TNETBB)	XS0783935306	EUR	6.750%	semi	15/08/2024	EURO-ZONE	fair	SR SECURED	B+ / n.a. / B1	111.1	1.9	5.3%	4.5%	395	yes	250 m	100 + 1

Cable/Satellite TV: UNITYMEDIA HESSEN (BB-, stable / n.a. / B3, stable)

Analyst: Thomas Keller (thomas.m.keller@ubs.com)

UBS credit view on senior bonds



Unitymedia KabelBW (UM) is a German cable services operator providing analog and digital television and broadband internet and telephony services in addition to mobile broadband and voice via a partnership with Telefonica Germany. UM is the second-largest cable services provider in Germany. As of the 12-month period ending September 2013 UM had 7.1 million customer relationships within a network that passed 12.6 million homes, revenues of EUR 1.9bn and EBITDA of EUR 1.1bn with leverage of 5.2x. UM is headquartered in Cologne, Germany and is a subsidiary of Liberty Global plc.

Investment case

- Unitymedia is a well-placed German cable services provider with significant scale.
- We anticipate that UM will grow revenues and EBITDA by continuing to convert customers to digital services and product bundles.
- Our view is further supported by high barriers to entry in the industry, by adequate liquidity and by a back-dated debt maturity profile.
- Our opinion is balanced by UM's highly leveraged capital structure and the financial directives of its parent Liberty Global.

Key Risks

- Unitymedia is highly leveraged with limited de-leveraging expected.
- Free cash flow generation is constrained due to significant interest and capital expenditure burdens.
- The company has strong competition from alternative service providers such as telecoms and satellite.
- It is subject to an outstanding cartel legal case.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
UNITYMEDIA HESSEN / NRW (UNITY)	XS0770750627	EUR	7.500%	semi	15/03/2019	EURO-ZONE	fair	SR SECURED	BB- / n.a. / Ba3	108.0	1.5	5.6%	2.0%	149	yes	735 m	100 + 1

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
UNITYMEDIA KABELBW GMBH (UNITY)	XS0468466056	EUR	9.625%	semi	01/12/2019	EURO-ZONE	fair	SECURED	B / n.a. / B3	108.6	4.7	7.7%	1.9%	151	yes	665 m	50 + 1
UNITYMEDIA KABELBW GMBH (UNITY)	XS0770929353	EUR	9.500%	semi	15/03/2021	EURO-ZONE	fair	SECURED	B / n.a. / B3	115.7	1.9	6.6%	3.0%	264	yes	618 m	100 + 1
UNITYMEDIA HESSEN / NRW (UNITY)	XS0827991760	EUR	5.500%	semi	15/09/2022	EURO-ZONE	fair	SR SECURED	BB- / n.a. / Ba3	107.8	1.1	4.4%	3.7%	327	yes	650 m	100 + 1
UNITYMEDIA HESSEN / NRW (UNITY)	XS0862322947	EUR	5.750%	semi	15/01/2023	EURO-ZONE	attractive	SR SECURED	BB- / n.a. / Ba3	108.8	2.1	4.5%	3.9%	337	yes	500 m	100 + 1
UNITYMEDIA HESSEN / NRW (UNITY)	XS0877974062	EUR	5.125%	semi	21/01/2023	EURO MTN	attractive	SR SECURED	BB- / n.a. / Ba3	106.4	0.6	4.2%	3.9%	335	yes	500 m	100 + 1
UNITYMEDIA HESSEN / NRW (UNITY)	XS0918739318	EUR	5.625%	semi	15/04/2023	EURO MTN	attractive	SR SECURED	BB- / n.a. / Ba3	108.4	0.7	4.5%	3.9%	339	yes	350 m	100 + 1
UNITYMEDIA HESSEN / NRW (UNITY)	XS0982713330	EUR	6.250%	semi	15/01/2029	EURO-ZONE	fair	SR SECURED	BB- / n.a. / Ba3	110.6	3.2	5.2%	4.8%	374	yes	475 m	100 + 1
UNITYMEDIA HESSEN / NRW (UNITY)	USD85455AA73	USD	7.500%	semi	15/03/2019	EURO-DOLLAR	illiq.	SR SECURED	BB- / n.a. / Ba3	n.a.	1.5	n.a.	n.a.	n.a.	yes	459 m	150 + 1
UNITYMEDIA HESSEN / NRW (UNITY)	USD85455AB56	USD	5.500%	semi	15/01/2023	EURO-DOLLAR	illiq.	SR SECURED	BB- / n.a. / Ba3	n.a.	2.0	n.a.	n.a.	n.a.	yes	1,000 m	200 + 1

Telecom Services: UPCB FINANCE LTD (n.a. / n.a. / Ba3, stable)

Analyst: Thomas Keller (thomas.m.keller@ubs.com)

UBS credit view on senior bonds



UPC is a leading provider of cable communication services in Europe and Chile, providing cable television, broadband internet, telephony services and in certain cases satellite broadcasting (Eastern Europe) and mobile telephony (Chile). As of September 2013, UPC had a combined subscriber base of 10.1 million (9m in Europe, 1.2m in Chile). UPC operates under the brands, UPC (Europe), UPC-Cablecom (Switzerland) and VTR (Chile). For the 12-month period ending September 2013, UPC generated revenues of EUR 4.3bn and operating cash flow of EUR 1.2bn with total leverage at 4.7x. UPC is a subsidiary of Liberty Global plc.

Investment case

- UPC is a multinational cable business with operations in nine European countries and Chile.
- It is the largest cable operator in both Europe and Chile.
- UPC's business profile is supported by a broad geographic diversity, leading market positions and large subscriber base.
- Liquidity is adequate and barriers to entry are high.

Key Risks

- UPC maintains a highly leveraged financial profile and is unlikely to de-lever in our view.
- It is also acquisitive and operates in a competitive environment.
- UPC faces a particularly pronounced competitive environment in The Netherlands and Eastern Europe.
- Calls from UPC's parent, Liberty Global, to help fund acquisitions.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
UPC HOLDING BV (UPCB)	XS0909771056	CHF	6.750%	semi	15/03/2023	EURO MTN	fair	SR UNSECURED	B / n.a. / B2	109.8	1.4	5.3%	4.7%	458	yes	350 m	150 + 1
UPCB FINANCE LTD (UPCB)	XS0479955402	EUR	7.625%	semi	15/01/2020	Euro-Non\$	fair	SR SECURED	BB / n.a. / Ba3	107.0	2.8	6.1%	2.4%	195	yes	500 m	50 + 1
UPCB FINANCE II LTD (UPCB)	XS0583151682	EUR	6.375%	semi	01/07/2020	Euro-Non\$	attractive	SR SECURED	BB / n.a. / Ba3	107.1	2.6	5.0%	2.6%	210	yes	750 m	100 + 1
UPC HOLDING BV (UPCB)	XS0532178000	EUR	8.375%	semi	15/08/2020	EURO-ZONE	attractive	SECURED	B / n.a. / B2	110.0	2.4	6.4%	3.3%	280	yes	640 m	50 + 1
UPC HOLDING BV (UPCB)	XS0832993397	EUR	6.375%	semi	15/09/2022	EURO-ZONE	attractive	SECURED	B / n.a. / B2	108.0	1.3	5.2%	4.6%	418	yes	600 m	100 + 1
UPC HOLDING BV (UPCB)	XS0909769407	EUR	6.750%	semi	15/03/2023	EURO-ZONE	fair	SR UNSECURED	B / n.a. / B2	109.2	1.4	5.4%	4.9%	435	yes	450 m	100 + 1
UPCB FINANCE III LTD (UPCB)	USG9290TAA72	USD	6.625%	semi	01/07/2020	EURO-DOLLAR	illiq.	SR SECURED	BB / n.a. / Ba3	n.a.	2.7	n.a.	n.a.	n.a.	yes	1,000 m	150 + 1
UPCB FINANCE V LTD (UPCB)	USG93007AA32	USD	7.250%	semi	15/11/2021	EURO-DOLLAR	illiq.	SR SECURED	BB / n.a. / Ba3	n.a.	0.2	n.a.	n.a.	n.a.	yes	750 m	150 + 1
UPCB FINANCE VI LTD (UPCB)	USG92903AA47	USD	6.875%	semi	15/01/2022	EURO-DOLLAR	illiq.	SR SECURED	BB / n.a. / Ba3	n.a.	2.5	n.a.	n.a.	n.a.	yes	750 m	150 + 1

Telephone-Integrated: VIRGIN MEDIA FINANCE (BB-, stable / B+, stable / Ba3, stable)

Analyst: Thomas Keller (thomas.m.keller@ubs.com)

UBS credit view on senior bonds



Virgin Media (VMED) offers broadband internet, television (including TV video-on-demand), fixed-line telephony and mobile telephony services to residential, commercial and public sector customers in the UK. As of September 2013, VMED had 4.9 million and 3.0 million cable and mobile customers, respectively, and for the year generated revenues of GBP 4.1bn. VMED was acquired by Liberty Global during 2013 in a transaction which valued its equity at USD 16bn.

Investment case

- VMED is a well-positioned and profitable company with a resilient business model.
- We expect the company to continue posting further growth to maintain a stable profile despite tough competition in the UK and elevated debt levels.
- Virgin Media benefits from high barriers to entry, low churn rates, adequate liquidity and a back-dated debt maturity profile.
- It differentiates its services through upgrades such as enhanced broadband internet speeds and TiVo devices.

Key Risks

- Virgin Media is highly leveraged following its acquisition by Liberty Global and has limited scope for de-leveraging.
- It faces high levels of competition and is very capital intensive.
- Fixed-line structural decline and reliance on third parties for programming content and mobile network coverage.
- Technological changes, with multiple services converging, remain an ongoing risk.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
VIRGIN MEDIA FINANCE PLC (VMED)	XS0464803765	GBP	8.875%	semi	15/10/2019	Euro-Non\$	fair	COMPANY GUARNT	B / B- / B2	107.0	1.0	7.3%	2.0%	142	yes	253 m	50 + 1
VIRGIN MEDIA SECURED FIN (VMED)	XS0658363865	GBP	5.500%	semi	15/01/2021	GLOBAL	attractive	SR SECURED	BB- / BB+ / Ba3	103.9	2.0	4.8%	n.a.	246		628 m	100 + 1
VIRGIN MEDIA SECURED FIN (VMED)	XS0889937305	GBP	6.000%	semi	15/04/2021	Euro-Non\$	attractive	SR SECURED	BB- / n.a. / Ba3	104.7	0.7	5.2%	5.2%	287	yes	1,100 m	100 + 1
VIRGIN MEDIA FINANCE PLC (VMED)	XS0850236596	GBP	5.125%	semi	15/02/2022	Euro-Non\$	illiq.	COMPANY GUARNT	B / B- / B2	n.a.	1.5	n.a.	n.a.	n.a.		44 m	100 + 1
VIRGIN MEDIA FINANCE PLC (VMED)	XS0889942990	GBP	7.000%	semi	15/04/2023	Euro-Non\$	fair	COMPANY GUARNT	B / B- / B2	107.9	0.8	5.8%	5.5%	374	yes	250 m	100 + 1
VIRGIN MEDIA SECURED FIN (VMED)	XS1047441503	GBP	5.500%	semi	15/01/2025	Euro-Non\$	fair	SR SECURED	BB- / BB+ / Ba3	100.1	0.9	5.5%	6.0%	313	yes	430 m	100 + 1
VIRGIN MEDIA SECURED FIN (VMED)	XS1047556664	GBP	6.250%	semi	28/03/2029	Euro-Non\$	fair	SR SECURED	n.a. / BB+ / Ba3	102.3	1.0	6.0%	6.2%	339	yes	400 m	100 + 1
VIRGIN MEDIA FINANCE PLC (VMED)	US92769VAB53	USD	8.375%	semi	15/10/2019	GLOBAL	illiq.	COMPANY GUARNT	B / B- / B2	n.a.	1.0	n.a.	n.a.	n.a.	yes	507 m	100 + 1
VIRGIN MEDIA SECURED FIN (VMED)	US92769XAF24	USD	5.250%	semi	15/01/2021	GLOBAL	fair	SR SECURED	BB- / BB+ / Ba3	103.8	1.9	4.6%	n.a.	252		448 m	200 + 1
VIRGIN MEDIA SECURED FIN (VMED)	USU5527PAA22	USD	5.375%	semi	15/04/2021	EURO-DOLLAR	illiq.	SR SECURED	BB- / n.a. / Ba3	n.a.	0.6	n.a.	n.a.	n.a.	yes	1,000 m	200 + 1
VIRGIN MEDIA FINANCE PLC (VMED)	US92769VAD10	USD	4.875%	semi	15/02/2022	GLOBAL	illiq.	COMPANY GUARNT	B / B- / B2	n.a.	1.4	n.a.	n.a.	n.a.		119 m	200 + 1
VIRGIN MEDIA FINANCE PLC (VMED)	USU5528DAA82	USD	6.375%	semi	15/04/2023	EURO-DOLLAR	illiq.	COMPANY GUARNT	B / B- / B2	n.a.	0.7	n.a.	n.a.	n.a.	yes	530 m	200 + 1
VIRGIN MEDIA SECURED FIN (VMED)	USG9372GAG31	USD	5.500%	semi	15/01/2025	EURO-DOLLAR	illiq.	SR SECURED	BB- / BB+ / Ba3	n.a.	0.9	n.a.	n.a.	n.a.	yes	425 m	200 + 1

Telecom Services: WIND (BB-, stable / BB-, negative / B2, stable)

Analyst: Thomas Keller (thomas.m.keller@ubs.com)

UBS credit view on senior bonds



Wind Telecomunicazioni SpA (Wind) is a large telecommunications operator in Italy, offering mobile, fixed-line voice and broadband internet services. Its mobile network covers 99.8% of the Italian population; by subscribers it is the third-largest mobile and second-largest fixed-line services provider. Its primary competitors are Telecom Italia, Vodafone, H3G, Fastweb (Swisscom), BT and Tiscali. Wind is controlled by the Russian telecommunications company VimpelCom Ltd, which acquired it in 2011.

Investment case

- Wind is well-placed in the Italian telecommunications market with strong market shares.
- It continues to outperform its peers Telecom Italia and Vodafone.
- Wind benefits from having VimpelCom as a parent and potential debt refinancing support.
- Possible market consolidation would be positive in our view.

Key Risks

- High leverage with an unsustainable capital structure and limited scope for organic deleveraging.
- Intense market competition with low customer switching costs.
- Weak Italian economic and consumer spending environment.
- Cash flow will become further pressured if junior bonds are not refinanced and start paying cash interest.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
WIND ACQUISITION FIN SA (WINDIM)	XS0438150160	EUR	11.750%	semi	15/07/2017	EURO-ZONE	fair	SECURED	B+ / WD / B3	104.7	4.3	9.9%	25.1%	-279	yes	165 m	50 + 1
WIND ACQUISITION FIN SA (WINDIM)	XS0560905506	EUR	7.375%	semi	15/02/2018	EURO-ZONE	fair	SR SECURED	BB / BB / Ba3	106.0	0.2	5.6%	0.7%	38	yes	1,750 m	100 + 1
WIND ACQUISITION FIN SA (WINDIM)	XS0771845624	EUR	7.375%	semi	15/02/2018	EURO-ZONE	fair	SR SECURED	BB / BB / Ba3	106.1	0.2	5.5%	-1.0%	-132	yes	200 m	100 + 1
WIND ACQUISITION FIN SA (WINDIM)	XS0922256580	EUR	5.595%	quart	30/04/2019	EURO-ZONE	fair	SR SECURED	BB / BB / Ba3	101.7	0.4	5.2%	-4.2%		yes	150 m	100 + 1
WIND ACQUISITION FIN SA (WINDIM)	XS1055940206	EUR	7.000%	semi	23/04/2021	EURO-ZONE	fair	SR SECURED	B / B / Caa1	104.9	0.7	6.1%	6.2%	515	yes	1,750 m	100 + 1
WIND ACQUISITION FIN SA (WINDIM)	USL97437AC80	USD	11.750%	semi	15/07/2017	EURO-DOLLAR	illiq.	SECURED	B+ / WD / B3	n.a.	4.3	n.a.	n.a.	n.a.	yes	103 m	100 + 1
WIND ACQUISITION FIN SA (WINDIM)	USL97437AG94	USD	7.250%	semi	15/02/2018	EURO-DOLLAR	illiq.	SR SECURED	BB / BB / Ba3	n.a.	0.2	n.a.	n.a.	n.a.	yes	400 m	200 + 1
WIND ACQUISITION FIN SA (WINDIM)	USL97437AE47	USD	7.250%	semi	15/02/2018	EURO-DOLLAR	illiq.	SR SECURED	BB / BB / Ba3	n.a.	0.2	n.a.	n.a.	n.a.	yes	1,300 m	200 + 1
WIND ACQUISITION FIN SA (WINDIM)	USL97437AH77	USD	6.500%	semi	30/04/2020	EURO-DOLLAR	illiq.	SR SECURED	BB / BB / Ba3	n.a.	0.5	n.a.	n.a.	n.a.	yes	550 m	200 + 1
WIND ACQUISITION FIN SA (WINDIM)	USL97437AJ34	USD	7.375%	semi	23/04/2021	EURO-DOLLAR	fair	COMPANY GUARNT	B / B / Caa1	104.0	0.7	6.6%	7.0%	481	yes	2,800 m	200 + 1

Sector: Transportation



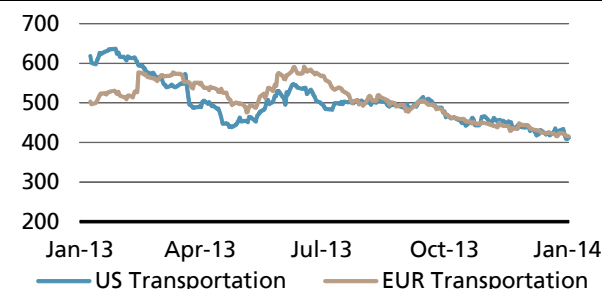
Sector description

The transportation sector is characterized by its capital-intensiveness, highly cyclical demand, and low visibility. Transportation services are largely commoditized, and despite the high costs for ships and airplanes, the barriers to entry are relatively low. As a result, margins in the sector are fairly thin, while volatility in demand and fuel prices as well as the high amount of fixed costs lead to a high degree of uncertainty in profits.

Performance and sector outlook

The sector is greatly oversupplied for both airlines and container shipping companies, which have tried to gain market share, reduce fuel costs through more efficient vessels, and benefit from economies of scale through an increase in capacity. Margins have been suppressed as a result, and the industry is largely unprofitable and highly leveraged. While some of the European companies are starting to be more conservative with capacity increases, we expect supply to grow ahead of demand for at least another two years. However, we have seen some improvements on the cost side, as the various restructuring and efficiency programs helped to reduce expenses and created synergies. Capacity growth has also been more conservative, but the moderation was somewhat offset by stronger growth of Asian and Middle Eastern companies. In addition, relatively high bunker and jet fuel prices still remain a drag, which could again lead to further investments into new, more cost-efficient planes and vessels.

OAS for the transportation sector



Source: Barclays, UBS, as of October 2013

Airlines: AIR FRANCE - KLM (n.a. / n.a. / n.a.)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Air France-KLM is one of the major European airlines and was founded through a merger by the French flagship carrier Air France and the Dutch KLM in 2004. The airline currently operates 573 airplanes reaching more than 250 destinations from its two major hubs in Paris and Amsterdam. The company's Air France is also one of the founding members of the SkyTeam Alliance.

Investment case

- Coordinated hubs at the two major European airports in Amsterdam and Paris
- Largest number of destinations outside of Europe among the major flagship carriers with a strong presence in China
- Large fleet and strong partnerships in SkyTeam Alliance with new code sharing programs
- Transform 2015 restructuring program aims at EUR 2bn net debt reduction, investment limitations and 10% unit cost reduction to improve balance sheet strength

Key Risks

- Less exposure to premium long-haul business and strong competition on short and medium-haul flights from trains and low cost carriers
- Higher leverage compared to peers and ongoing losses deteriorate balance sheet
- Strong adverse exposure to increase in fuel prices and US dollar appreciation
- Higher leverage than its direct competitors (LHAGR, IAG)

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
AIR FRANCE-KLM (AFFP)	FR0010814459	EUR	6.750%	annu	27/10/2016	EURO-ZONE	expensive	COMPANY GUARNT	n.a. / n.a. / n.a.	110.6	3.9	2.2%	n.a.	179		700 m	50 + 50
AIR FRANCE-KLM (AFFP)	FR0011374099	EUR	6.250%	annu	18/01/2018	EURO-ZONE	expensive	COMPANY GUARNT	n.a. / n.a. / n.a.	111.5	2.2	2.9%	n.a.	231		500 m	100 + 100

Airport Develop/Maint: AGUILA 3 SA (B, stable / n.a. / B2, negative)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Swissport International is the world's largest independent airport ground-handling service company in the world. Its operations span 258 airports in 46 countries and encompass passenger and baggage handling as well as cabin cleaning, de-icing and ticketing services. The company also engages in cargo-handling services such as warehousing and document handling. The company is majority owned by the French private equity investor PAI.

Investment case

- World's largest independent airport ground handling service company with global diversification and large economies of scale.
- High contract renewal rate, diversified customer base and asset light business model make it more resilient in economic downturns.
- Benefits from ongoing outsourcing of airline services as well as the deregulation of the aviation industry.
- Less cyclical than aviation industry as revenues depend on number of flights rather than passenger numbers, booking class mix or flight duration.

Key Risks

- Fragmented and competitive sector, which is exposed to the highly cyclical aviation industry.
- Ongoing airline consolidation, increasing number of low-cost carriers and lower cargo volumes in recent years decrease demand for ground-handling services.
- Exposed to regulatory and political risks, especially in emerging markets.
- Less exposure to Asia Pacific and still considerable concentration in mature European and North American markets.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
AGUILA 3 SA (AGUILA)	XS0585440430	CHF	7.875%	semi	31/01/2018	Euro-Non\$	fair	SR SECURED	B / n.a. / B2	106.3	2.6	5.9%	1.3%	133	yes	350 m	150 + 1
AGUILA 3 SA (AGUILA)	USG01304AA50	USD	7.875%	semi	31/01/2018	EURO-DOLLAR	fair	SR SECURED	B / n.a. / B2	106.4	2.6	5.9%	1.6%	136	yes	945 m	150 + 1

Airlines: AIR BERLIN PLC (n.a. / n.a. / n.a.)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Air Berlin is the second-largest airline in Germany, transporting more than 33 million passengers in 2012. The airline's main hubs are Berlin and Dusseldorf, from which most of its long-haul flights operate. Air Berlin is also a member of the Oneworld alliance and has a strategic partnership with Etihad (national airline of UAE), which is also the company's largest shareholder.

Investment case

- Second-largest German airline with more than 33 million passengers per year
- Strategic partnership with Etihad Airlines, which is also the biggest shareholder in the company (29.3% stake)
- Most aggressive restructuring program ("Turbine") targeting 20% fleet reduction and 10% decrease in employees
- Reorganization of the flight network with cuts in short-haul flights and capacity increases in the more profitable long-haul segment

Key Risks

- History of negative earnings resulted in negative equity in 1Q 2013
- Domestic market more competitive especially through Lufthansa's outplacement of ist domestic flights to ist LCC subsidiary Germanwings
- Company has been relying on equity increases and asset disposals to compensate cash burn
- Former restructuring program ("Shape&Size") has been insufficient and current program's execution risk is still high

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
AIR BERLIN PLC (AIRBR)	XS1051723895	CHF	5.625%	semi	09/05/2019	Euro-Non\$	Sell	SR UNSECURED	n.a. / n.a. / n.a.	99.7	0.3	5.7%	n.a.	544	yes	100 m	5 + 5
AIR BERLIN PLC (AIRBR)	DE000AB100C2	EUR	11.500%	quart	01/11/2014	Euro-Non\$	fair	SR UNSECURED	n.a. / n.a. / n.a.	104.1	0.8	1.7%	n.a.	137		141 m	1 + 1
AIR BERLIN PLC (AIRBR)	DE000AB100A6	EUR	8.500%	quart	10/11/2015	EURO MTN	fair	SR UNSECURED	n.a. / n.a. / n.a.	105.2	0.4	4.8%	n.a.	440		196 m	1 + 1
AIR BERLIN PLC (AIRBR)	DE000AB100B4	EUR	8.250%	quart	19/04/2018	EURO MTN	Sell	SR UNSECURED	n.a. / n.a. / n.a.	104.6	0.9	6.9%	n.a.	646		225 m	1 + 1
AIR BERLIN PLC (AIRBR)	XS1051719786	EUR	6.750%	semi	09/05/2019	Euro-Non\$	Sell	SR UNSECURED	n.a. / n.a. / n.a.	100.0	0.3	6.8%	8.2%	609	yes	170 m	1 + 1

Transport-Marine: CMA CGM SA (B+, stable / n.a. / Caa1, stable)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



CMA CGM is the third-largest container shipping company in the world operating a fleet of 428 vessels, of which it owns 19%. The company is privately owned by the Saadé family and headquartered in France. Minority shareholders include the Turkish industrial Yildirim (24% stake) and a French government investment vehicle (FSI). CMA currently operates on more than 170 shipping lines and generates the majority of its USD 15.9bn in revenues from its shipping business, with smaller contributions from other transportation and logistics services.

Investment case

- Worlds' third-largest container shipping company with strong global presence and diversified route network.
- Material synergies expected from the pending P3 alliance (Maersk, MSC, CMA-CGM) through route sharing and network management. Generated EUR 400m.
- Company management keeps majority of new fleet off-balance sheet, allowing for greater flexibility and lower upfront cash outflows.
- Significantly improved liquidity following the recent capital structure improvements (convertible/bond issuance, Terminal Link sale), with USD 1.4bn of cash and cash equivalents as of December 2013 (USD 601m as of December 2012).

Key Risks

- Demand/supply imbalance likely to persist for the next two years, which will keep pressure on freight rates.
- Company saw relatively large decline in EBIT margins in 2013 due to volatility in freight rates as price increases were rarely sustainable.
- Substantial debt maturities of about USD 755m in 2014, which could put pressure on company's liquidity position.
- Still significant downside risk should the P3 alliance not get approval from the Chinese and European authorities (probability ≈ 25%).

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
CMA CGM (CMACG)	XS1005207961	EUR	8.750%	semi	15/12/2018	EURO-ZONE	attractive	SR UNSECURED	B- / n.a. / (P)Caa	107.2	3.9	6.9%	6.5%	613	yes	300 m	100 + 1
CMA CGM (CMACG)	XS0618662562	EUR	8.875%	semi	15/04/2019	EURO-ZONE	attractive	SR UNSECURED	B- / n.a. / Caa1	107.0	1.0	7.1%	5.5%	508	yes	286 m	100 + 1
CMA CGM (CMACG)	USF2020UAD12	USD	8.500%	semi	15/04/2017	EURO-DOLLAR	fair	SR UNSECURED	B- / n.a. / Caa1	102.9	1.0	7.4%	26.2%	631	yes	396 m	150 + 1

Airlines: DEUTSCHE LUFTHANSA (BBB-, stable / n.a. / Ba1, stable)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Lufthansa is the German flagship carrier and the biggest European airline in terms of revenues. The company incorporates three major airlines (Austrian Airlines, Lufthansa and Swiss) as well as a cargo provider, a maintenance repair and overhaul service (MRO), a catering and IT division. The company is also a founding member of the Star Alliance, a global airlines partnership consisting of 27 members.

Investment case

- Great scale with 627 aircrafts and a well-diversified route network covering 199 destinations in 81 countries
- Strong liquidity position with EUR 5.3bn in cash and equivalents, which is well above self-set threshold of 2.3bn
- IG rating by S&P enables lower funding costs for the airline
- Fleet investment program and restructuring program (SCORE) targets 8% EBIT margin and EUR 1.5bn profit improvement by 2015

Key Risks

- Significant capex (EUR 9bn) until 2015 in combination with weakening profits
- Highly exposed to shifts in demand and fuel costs, which puts pressure on the already weak margins.
- Significant decline in revenues on the Asian routes due to capacity reductions and currency devaluations.
- Stronger competition from the fast growing Middle Eastern carriers, which have announced another round of large capacity increases.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
DEUTSCHE LUFTHANSA AG (LHAGR)	XS0438813536	EUR	6.500%	annu	07/07/2016	EURO MTN	expensive	SR UNSECURED	BBB- / n.a. / Ba1	111.6	5.8	0.9%	n.a.	54		750 m	1 + 1

Transport-Marine: HAPAG-LLOYD AG (B+, stable / n.a. / Caa1, negative)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Hapag-Lloyd is in the process of acquiring Chilean shipping company Compania Sud Americana de Vapores SA's (CSAV) container business in return for a 30% stake in the combined entity (later 34% as part of capital increase). The merger will make Hapag-Lloyd the world's fourth-largest container shipping company in terms of TEU, with a combined fleet of more than 200 ships and a total capacity of more than one million TEU. Hapag-Lloyd is also a member of the G6 alliance.

Investment case

- World's sixth-largest container shipping company in the world (fourth-largest after planned merger with CSAV with good geographic diversification and less dependency on the hugely oversupplied Asia-Europe routes.
- Management expects synergies of USD 300m p.a. from the planned merger with the CSAV over the next two years.
- Most prudent capacity management among top liners with no scheduled ship deliveries ships after April 2014.
- Should benefit from EUR 370m equity injection on completion of the planned merger (EUR 259m from CSAV with remainder from other shareholder) with a second capital increase (EUR 370m) linked to a planned IPO.

Key Risks

- Lowest margins (EBIT 1%) among our three covered shipping companies (A.P. Moller-Maersk, CMA CGM) and highest net financial leverage 6.3x.
- We expect further freight rate pressure through increasing competition from the pending P3 alliance.
- CSAV reported about EUR -156m of EBITDA loss in 2013; The merger with Hapag-Lloyd will likely be a substantial drag on earnings and leverage at least in the near term.
- Relatively weak credit metrics for the rating category could lead to a potential downgrade by Moody's.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
HAPAG-LLOYD AG (HPLGR)	XS0545329624	EUR	9.000%	semi	15/10/2015	EURO-ZONE	fair	COMPANY GUARNT	B- / n.a. / Caa1	105.5	1.1	4.8%	0.3%	-10	yes	267 m	100 + 1
HAPAG-LLOYD AG (HPLGR)	XS0974356262	EUR	7.750%	semi	01/10/2018	EURO MTN	expensive	SR UNSECURED	B- / n.a. / Caa1	107.7	2.8	5.7%	4.6%	417	yes	400 m	100 + 1
HAPAG-LLOYD AG (HPLGR)	USD33048AA36	USD	9.750%	semi	15/10/2017	EURO-DOLLAR	fair	COMPANY GUARNT	B- / n.a. / Caa1	108.0	1.1	7.0%	1.3%	102	yes	250 m	150 + 1

Airlines: IAG (BB, stable / n.a. / B1, stable)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



International Consolidated Airlines Group, S.A. was formed through a merger between British Airways and the Spanish legacy carrier Iberia in 2011. IAG is the holding for both companies, which still operate as separate entities from their respective hubs in London and Madrid. In addition, the group also recently acquired British bmi as well as a majority interest in Vueling. Both BA and Iberia are members of the Oneworld alliance.

Investment case

- Operating from two major European hubs, with Heathrow being the busiest airport in the world (by passengers)
- Strong growth in premium long-haul business and leading positions on the South Atlantic routes
- Aggressive fleet renewal should lead to lower fuel costs.
- Company targets IG rating by 2015 with already strong credit metrics given the current rating

Key Risks

- Continued cash burn and operating losses at Iberia in combination with pressure in the domestic market due to ongoing economic weakness
- High pension liabilities and increasing pension deficits
- Acquisition of bmi could lead to a loss in slots at Heathrow as part of competition reviews
- Aggressive capex program can put pressure on the company's balance sheet in the near term

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
BRITISH AIRWAYS PLC (IAGLN)	XS0133582147	GBP	8.750%	semi	23/08/2016	Euro-Non\$	fair	SR UNSECURED	BB / n.a. / B1	112.8	2.2	2.8%	n.a.	157		250 m	1 + 1

Airlines: QANTAS AIRWAYS (BB+, negative / n.a. / Ba2, negative)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Qantas is Australia's national airline offering air transportation, freight services as well as one of Australia's largest loyalty programs. The company operates under the Qantas brand, the premium full service airline providing domestic and international flights, as well as Jetstar, the company's low cost carrier. Jetstar also has holdings in several other Asian countries such as Japan, Singapore and Vietnam. As of June 2013, the company operated 312 airplanes and generated revenues of almost AUD 16bn.

Investment case

- Australia's leading airline and respective flag carrier with 65% market share in the domestic market.
- Relatively high barriers to entry in the domestic market due to its deep frequent flyer program, large capacity and high flight frequency (Virgin Australia only real competitor).
- Benefits from strategic partnership with Emirates and Jetstar's expansion in Asia.
- Strong liquidity with AUD 2.8bn in cash and AUD 0.6bn available under its credit facility, as of 30 June 2013.

Key Risks

- International business is still losing money due to strong competition from Middle Eastern and Chinese carriers.
- Ongoing margin pressure in historically strong domestic market, with lower yields and load factors as a result of the capacity war with Virgin Australia.
- Struggles with devaluation of AUD, which significantly increases USD-denominated fuel costs.
- Company guided underlying loss before taxes of AUD 250- 300m for 2H 2013 and negative free cash flow (FCF) generation, which could lead to further rating pressure by both Moody's and S&P.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
QANTAS AIRWAYS LTD (QANAU)	USQ77974BA24	USD	6.050%	semi	15/04/2016	EURO-DOLLAR	fair	COMPANY GUARNT	BB+ / n.a. / Ba2	107.1	0.7	2.1%	n.a.	163		514 m	2 + 1

Diversified Operations: STENA AB (BB, stable / n.a. / B2, stable)

Analyst: Thomas Rauh (thomas.rauh@ubs.com)

UBS credit view on senior bonds



Stena AB is a privately owned holding company based in Sweden whose major operations are in ferry lines, offshore drilling and shipping. Stena is also active in other areas, although the company's property business and Adactum, which primarily invests in companies outside the traditional lines of the business, are outside the company's restricted group. Stena is owned by the Olsson family and generated SEK 30.2bn revenues in 2013.

Investment case

- More diversified revenue base and business operations with fewer cyclical components.
- Management indicated it would target lower leverage levels and likely reduce capex.
- The company just ended a relatively extensive investment program and now operates a young, modern fleet with the majority of its vessels operating under long-term contracts.
- Relatively good asset quality and strong liquidity with SEK 9.8bn available under the company's credit facilities along with SEK 2.4bn in liquid assets.

Key Risks

- Strongly competitive and capital-intensive industry, especially in the ferry business (Stena Line), which continues to accumulate losses.
- Although improving, Stena continues to operate with relatively high leverage and still generates negative free cash flow due to its recent capital expenditures.
- The high-quality assets of the property management business are outside the restricted group, and the corporate structure subordinates bondholders to the subsidiaries' operating liabilities and the secured debt of the group.
- Historically, management has been willing to aggressively invest when the opportunities arise.

Company (Ticker)	ISIN	Ccy	Cpn	Cpn. Freq.	Maturity	Market of Issuance	Bond val. view	Seniority	Ratings (S&P / Fit. / Mdy)	Ind. Off. Pr.	Accr. Int.	Yield to Mat.	Yield to Call	ASW Spread	Callable	Amount outstanding	Min Piece
STENA AB (STENA)	XS0285176458	EUR	6.125%	semi	01/02/2017	Euro-Non\$	fair	SR UNSECURED	BB / n.a. / B2	109.3	2.0	2.5%	n.a.	209		300 m	50 + 1
STENA AB (STENA)	XS0287290737	EUR	5.875%	semi	01/02/2019	Euro-Non\$	expensive	SR UNSECURED	BB / n.a. / B2	110.0	1.9	3.5%	n.a.	283		102 m	50 + 1
STENA AB (STENA)	XS0495219874	EUR	7.875%	semi	15/03/2020	Euro-Non\$	expensive	SR UNSECURED	BB / n.a. / B2	119.3	1.6	4.1%	n.a.	320		200 m	50 + 1
STENA AB (STENA)	USW8758PAK22	USD	7.000%	semi	01/02/2024	EURO-DOLLAR	attractive	SR UNSECURED	BB / n.a. / (P)B2	106.0	2.4	6.2%	n.a.	357		600 m	200 + 1
STENA INTERNATIONAL SA (STENA)	USL62788AA99	USD	5.750%	semi	01/03/2024	EURO-DOLLAR	fair	SR SECURED	BB+ / n.a. / (P)Ba2	100.3	1.5	5.7%	n.a.	311		350 m	200 + 1

Methodology

Credit Quality Flags

With our credit quality flags, we express our view on the credit risk associated with a particular instrument. As cumulative credit risk typically increases with time (shorter dated bonds of a particular issuer are after all less risky than longer dated ones), the assignment of this flag usually correlates strongly with the remaining time to maturity of a particular bond.

It is important to note, that our credit flags only reflect our view on the riskiness of a particular instrument and not its attractiveness (in contrast to the below discussed flags). A green credit quality flag does therefore not imply that a particular bond is attractive from a total return perspective and our credit quality flags should not be seen as a trading recommendation.

VERY LOW CREDIT RISK

The bonds are of high to very high credit quality. A default on these bonds is very unlikely in our view

MEDIUM CREDIT RISK

The bonds are of medium to weaker credit quality. Although we do not expect a default at this stage, we are highlighting the potentially higher volatility of these bonds. These instruments should therefore only be held by risk tolerant investors

HIGH CREDIT RISK

Holding these instruments is seen as speculative. We see a greater than one-in-five chance for payment losses either as a result of a default of the bonds or a temporary coupon deferral or cancellation

UBS bond valuation views

With our bond recommendations, we are expressing our view on the shortterm relative value attractiveness of a specific senior, secured, guaranteed or a subordinated bond. In contrast to our investment flags, these recommendations are made for specific instruments and for trading oriented investors (investment horizon < 1 year). Due to the short investment horizon and as our trading recommendations are often used to express our view on various higher risk instruments including high yield or subordinated bonds, they are often not suitable for more conservative buy and hold investors.

For the formulation of our bond valuation views we are guided by the following principles.

attractive

We expect these bonds to achieve a total return exceeding a broad benchmark of comparable instruments in the near-term. This view on a specific bond does not imply a generally positive view on the issuer

fair

We expect these bonds to achieve a total return in line with a broad benchmark of comparable instruments in the near-term.

expensive

We expect the total return of these bonds to lag a broad benchmark of comparable instruments in the near-term. This view on a specific bond does not imply a generally negative view on the issuer

sell

On bonds to which we assign a Sell recommendation, we expect (further) material valuation losses as a result of a default, a multi-notch downgrade or other negative credit developments. Issues we recommend to sell should no longer be held in our view and will not be recommended on our bond recommendation products.

Rating definitions

Issuer / bond rating definitions					
		S&P	Moody's	Fitch	Definition
Credit / Bond* Rating	Investment grade	AAA	Aaa	AAA	Issuer / Bonds have exceptionally strong credit quality. AAA is the best credit quality.
		AA+	Aa1	AA+	
		AA	Aa2	AA	Issuer / Bonds have very strong credit quality.
		AA-	Aa3	AA-	
		A+	A1	A+	
		A	A2	A	Issuer / Bonds have high credit quality.
		A-	A3	A-	
		BBB+	Baa1	BBB+	
		BBB	Baa2	BBB	Issuer / Bonds have adequate credit quality. This is the lowest Investment Grade category.
		BBB-	Baa3	BBB-	
	Non-investment grade	BB+	Ba1	BB+	
		BB	Ba2	BB	Issuer / Bonds have weak credit quality. This is the highest Speculative Grade category.
		BB-	Ba3	BB-	
		B+	B1	B+	
		B	B2	B	Issuer / Bonds have very weak credit quality.
		B-	B3	B-	
		CCC+	Caa1	CCC	
		CCC	Caa2		Issuer / Bonds have extremely weak credit quality.
		CCC-	Caa3		
		CC	Ca	CC	
		C		C	Issuer / Bonds have very high risk of default.
		D	C	D	Obligor failed to make payment on one or more of its financial commitments. This is the lowest quality of the Speculative Grade category.
Rating Outlook	Positive		A positive rating outlook means that a credit rating upgrade is possible within the next 12 months.		
	Stable		A stable rating outlook means that no credit rating change is expected within the next 12 months.		
	Negative		A negative rating outlook means that a credit rating downgrade is possible within the next 12 months.		
	Watch		Rating is under review and there is an increased likelihood of rating change(s). The direction is currently unclear.		
	Watch +		Rating is under review and there is an increased likelihood of rating upgrade(s).		
	Watch -		Rating is under review and there is an increased likelihood of rating downgrade(s).		

* Bond ratings may differ from issuer credit ratings due to credit enhancements, guarantees or subordination to senior liabilities.

Table of abbreviations

List of abbreviations mentioned in the report	
Abbreviations	Explanations
Accrued Interest (Accr. Int.)	Interest accrued since the last coupon date in %. The sum of Ind. Off. Price and Accrued Interest is the dirty price, i.e. the total payout when buying a bond.
Coupon (Cpn)	Coupon rate in %. For floating rate notes, only the current coupon is displayed.
Coupon Frequency (Cpn. Freq.)	Coupon frequency. E.g. 'semi' means that half of the coupon is paid on a semiannual basis.
Currency (Ccy)	Currency in which the bond is traded and interests and principal are paid
Market of Issuance	CHF Domestic bonds are bonds issued by a swiss entity in Swiss Francs and are subject to 35% Swiss withholding tax. CHF Foreign bonds are bonds issued by a non-swiss entity in Swiss Francs. Eurobonds / Euro MTN / Euro-Non\$ / Euro-Dollar are debt obligations that are traded in the Euro market (i.e. the international bond market). Euro Zone bonds are bonds issued by one of the EU member countries which have adopted the Euro currency. Global bonds may be issued by any issuer in any currency. These bonds are trading simultaneously in the international and a local bond market. Global bonds of US issuers fall under QI regulations. US GOVT = United States Government Bonds, EUR GOVT = Bonds issued by Government within the EU, UK GILT = United Kingdom Government Bonds.
Seniority	Refers to the order in which credit holders are repaid in the event of default. It can also indicate any guarantees that exist on the bond (e.g. company guaranteed) or the nature of what backs the security e.g. (secured)
Moody's, S&P, Fitch Rating	The Bond Rating Terminology is explained on the Rating Table shown in this publication. Bonds may achieve a lower credit rating than the issuer, if they are subordinated. Higher credit ratings result from additional guarantees or contractual credit enhancements for a bond. The rating outlook is displayed with the rating and indicates a potential change within the next 12 months. A rating watch status is indicated by a 'W+', 'W' or 'W-' and indicates a current review of the rating with positive, undirectional or negative implications.
Indicative offer price (Ind. Off. Pr.)	Indicative offer price. This may not be the price at which the security may be purchased or sold, but the indicative price available at the time of this publication.
Yield to Maturity (Yield to Mat.)	It indicates the annual yield that would be earned on this investment if the bond would be held to maturity. It assumes that the coupon payments are reinvested at the yield to maturity.
Yield to Call	It indicates the annual yield that would be earned on this investment if the bond was called on its next call date. It assumes that the coupon payments are reinvested at the yield to call.
Asset Swap Spread (ASW)	It indicates the difference between the yield of a bond and the respective swap curve (usually LIBOR) expressed in basis points.
Call	Indicates whether a bond is callable or not.
WR	Credit rating has been withdrawn.
n.a.	Not available
e	E.g. Aa2e: The letter 'e' after the rating means, that the Moody's rating is expected to be Aa2, but the rating agency has not yet confirmed it for this bond. The 'e' can be used for all three agency's ratings.

Disclosures

List of Disclosures for mentioned companies			
Name	State No.	Name	State No.
Abengoa SA	15	ADT Corp/The	15
Aguila 3 SA	10, 17	Air France-KLM	9
Altice SA	9	ArcelorMittal	15, 8
Barry Callebaut AG	17, 10, 8, 9	Bombardier Inc	20, 5, 6, 9, 10, 14, 17, 19, 4
Boyd Gaming Corp	20, 4, 5, 10, 15, 17	CenturyLink Inc	15, 17, 11, 5, 4, 20
Chesapeake Energy Corp	4, 9, 10, 15, 17	Cinemark Holdings Inc	15
CNH Industrial NV	15, 10, 9, 17	Concho Resources Inc	9, 15
CONSOL Energy Inc	4, 15, 17	Continental Resources Inc/OK	17, 4, 9, 15
Crown Holdings Inc	4, 15	Denbury Resources Inc	15, 17, 9, 4, 10
Deutsche Lufthansa AG	9	EDP - Energias de Portugal SA	4, 10, 17
Expedia Inc	8, 15	Fiat SpA	4, 9, 10, 17
Finmeccanica SpA	17, 9, 12	Forest Oil Corp	15
Frontier Communications Corp	6, 15, 20	GKN PLC	12
Hanesbrands Inc	15	HCA Holdings Inc	15, 17, 10, 9, 4
HeidelbergCement AG	11	Hertz Global Holdings Inc	15
Host Hotels & Resorts Inc	15	Huntsman Corp	15
International Consolidated Airlines Group SA	17	Iron Mountain Inc	1, 15
Lafarge SA	17	Linn Energy LLC	9, 15
MGM Resorts International	4, 17, 15, 9, 10	MOL Hungarian Oil & Gas PLC	4
Nexans SA	8	Oasis Petroleum Inc	4, 9, 10, 15, 17
Owens-Illinois Inc	15	Peugeot SA	2, 8
Pinnacle Entertainment Inc	4, 17, 10, 15	Premier Foods PLC	8
PVH Corp	15	Qantas Airways Ltd	13, 4, 8
Rite Aid Corp	15	Royal Caribbean Cruises Ltd	18, 3, 9, 15
SandRidge Energy Inc	15, 2, 9	Sappi Ltd	17, 16
SAS AB	17, 11	Schmolz + Bickenbach AG	9, 10, 17
Steel Dynamics Inc	15	Stora Enso OYJ	4, 9
Tenet Healthcare Corp	15	TUI AG	17, 8
United Rentals Inc	8, 15	United States Steel Corp	3, 20, 18, 15, 5, 8
UPM-Kymmene OYJ	4	Wendel SA	9

William Hill PLC	7, 8	Wynn Resorts Ltd	15
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