



# CREDIT RATING REPORT

## BI-ANNUAL UPDATE - SEPTEMBER 2016

### **CALKAIN**

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**RATED TENANTS**

TENANT	STOCK SYMBOL	S&P	S&P OUTLOOK	MOODY'S	MOODY'S OUTLOOK
<b>C-STORES</b>					
7-Eleven (Seven-Eleven Japan Co.)	SE	AA-	Stable	Baa1	Stable
Circle K / Kangaroo (Alimentation Couche-Tard)	ANCUF	BBB	Stable	Baa2	Stable
Shell Oil	SHOI	A	Stable	Aa3	Under Review (Possible Downgrade)
<b>AUTOMOTIVE</b>					
Advance Auto	AAP	BBB-	Stable	Baa2	Stable
AutoZone	AZO	BBB	Stable	Baa1	Stable
O'Reilly Auto Parts	ORLY	BBB+	Stable	Baa1	Stable
Pep Boys (Icahn Enterprises)	IEP	BB+	Stable	Ba3	Stable
<b>CASUAL DINING</b>					
Carrabbas (Bloomin' Brands)	BLMN	BB	Stable	NR	NR
Chili's (Brinker International)	EAT	BB+	Stable	Ba1	Stable
Darden Restaurants	DRI	BBB	Stable	Baa3	Stable
Red Lobster	N/A	NR	NR	B3	Stable
<b>QSR</b>					
Burger King (Restaurant Brands International, Inc.)	QSR	B+	Stable	NR	NR
Dairy Queen (Berkshire Hathaway)	BRK.A	AA	Stable	Aa2	Stable
Hardee's (CKE Restaurants Holdings, Inc.)	N/A	B-	Stable	NR	Stable
McDonald's	MCD	BBB+	Stable	Baa1	Stable
Starbucks	SBUX	A-	Stable	A2	Stable
Taco Bell (Yum! Brands, Inc.)	YUM	BB	Stable	Ba3	Under Review (Possible Downgrade)
Wendy's	WEN	B	Stable	B2	Stable
<b>BANKS*</b>					
Bank of America	BAC	A	Negative	A1	Stable
BankUnited	BKU	NR	NR	Ba1	Stable
BB&T Bank	BBT	A-	Stable	A2	Stable
Chase Bank	JPM	A+	Stable	Aa3	Stable
PNC Bank	PNC	A	Stable	A2	Stable
SunTrust	STI	A-	Stable	Baa1	Stable
TD Bank	TD	AA-	Stable	Aa1	Stable

TENANT	STOCK SYMBOL	S&P	S&P OUTLOOK	MOODY'S	MOODY'S OUTLOOK
<b>BIG BOX</b>					
Best Buy	BBY	BBB-	Stable	Baa1	Stable
Costco	COST	A+	Stable	A1	Stable
Kohl's	KSS	BBB	Negative	Baa2	Stable
Lowe's	LOW	A-	Stable	A3	Stable
Walmart	WMT	AA	Stable	Aa2	Stable
<b>PHARMACIES</b>					
CVS	CVS	BBB+	Stable	Baa1	Stable
Rite Aid	RAD	B	Positive	B2	Under Review (Possible Upgrade)
Walgreens	WBA	BBB	Negative	Baa2	Under Review (Possible Downgrade)
<b>MEDICAL</b>					
Affordable Care	N/A	NR	NR	B3	Stable
DaVita Dialysis	DVA	BB	Stable	Ba3	Stable
Fresenius Medical Care	FME	BBB-	Stable	Ba1	Stable
<b>DOLLAR STORES</b>					
Dollar General	DG	BBB	Stable	Baa2	Positive
Dollar Tree / Family Dollar (Dollar Tree Inc.)	DLTR	BB+	Stable	Ba2	Under Review (Possible Upgrade)
<b>GROCERY</b>					
Delhaize	DEG	BBB	Stable	Baa2	Under Review (Possible Upgrade)
Kroger	KR	BBB	Stable	Baa1	Stable
Wegmans	N/A	BBB+	Stable	NR	NR
Whole Foods	WFMI	BBB-	Negative	Baa3	Stable
<b>GENERAL</b>					
Burlington Coat Factory	BURL	BB-	Stable	NR	NR
FedEx	FDX	BBB	Stable	Baa2	Stable
Mattress Firm	MFRM	B+	Positive	NR	NR
Sherwin-Williams	SHW	A	Negative	A3	Under Review (Possible Downgrade)
Verizon	VZ	BBB+	Stable	Baa1	Stable

\*Due to new regulations, many banks are under a broad ratings review.

\*NR = Not Rated by the rating agency.

KEY: Rating decrease since last report | Rating increase since last report

As of 9/22/2016

## UNRATED TENANTS

### LISTED

TENANT	STOCK SYMBOL	STORE COUNT	FOUNDED	NET INCOME (MILLIONS)	MARKET CAP (BILLIONS)	NOTES
Aaron's	AAN	2,034	1955	\$135.71	\$1.85	Aaron's entered into an agreement to sell 82 Company-operated HomeSmart division. The transaction closed in the second quarter of 2016
Applebee's / IHOP (owned by DineEquity)	DIN	3,700	2008	\$104.92	\$1.43	DineEquity has sold nearly all of its company-owned restaurants to franchisees as a way to generate more consistent revenue
Bank United	BKU	98	1984	\$214.30	\$3.12	BankUnited Small Business Finance announced it has expanded into Washington, Ohio and Wisconsin, while also deepening its footprint in Florida
Bojangles'	BOJA	600	1977	\$26.52	\$0.58	18 system-wide restaurants were opened, 7 company-operated restaurants and 11 franchised restaurants
Chipotle	CMG	2,000	1993	\$475.62	\$11.49	Chipotle introduced 'Chiptopia' in the third quarter of 2016, a program rewarding loyal customers. They also opened 58 new restaurants in the same quarter
Dunkin' Donuts	DNKN	11,300	1950	\$105.23	\$4.41	Dunkin' Brands franchisees and licensees opened 73 net new Dunkin' Donuts U.S. locations and 12 net new Baskin-Robbins U.S. locations
Fred's Super Dollar	FRED	683	1947	\$28.90	\$0.37	Fred's reported a decline in total sales of 3% for the second quarter of 2016, though the company posted total sales increases of 2.3% for same quarter
Napa Auto Parts (owned by Genuine Auto Parts)	GPC	6,000	1925	\$705.67	\$14.69	Sales for the second quarter ending June 30, 2016 were \$3.90 billion compared to \$3.94 billion for the same period in 2015
Pier 1 Imports	PIR	953	1962	\$39.63	\$0.34	Pier 1 closed 24 stores and opened one in the fourth quarter of 2015. It expects about 20 store closures in fiscal 2017
Tractor Supply Co.	TSCO	1,542	1938	\$410.39	\$8.95	Tractor Supply plans to open approximately 115 to 120 new stores in 2016, with 58 stores opened so far this yr

### UNLISTED

TENANT	NET INCOME	STORE COUNT	FOUNDED	NOTES
ALDI	\$10.1B in annual sales	1,375	1948	Owned by a German company who also owns Trader Joe's. Aims for 2,000 new stores in the U.S. by 2020
Arby's	\$3.5B in sales in 2015	3,206	1964	Owned by private equity firm Roark Capital Group
Ashley Furniture	\$3.85B in revenues	500	1970	Privately owned by a father and son team
Aspen Dental	\$645M in annual revenues	450	1964	Owned by PE companies, Leonard Green & Partners and Ares Capital
Bass Pro Shops	\$4.5B in revenues in 2015	94	1971	Outdoor retailer who opened 7 new stores in 2015
Cellular Sales of Knoxville	\$703M+ in annual revenue	560	1993	Inc. Magazine named them one of the nation's fastest-growing privately owned retailers for eight of the past nine yrs.
Chick-fil-A	\$6B in revenue	1,950	1946	Has the highest sales per location of any QSR restaurant
Cracker Barrel	\$719.5M in revenues in 2015	637	1969	Opened 6 new stores in 2016 so far
Giant Eagle	\$9.5B in annual sales	432	1931	Privately owned and largest supermarket chain in Western Pennsylvania
Hobby Lobby	\$4B in revenues in 2015	600	1972	One-stop-shop for craft supplies
Imagine School	\$234M in 2014	71	2004	Operates charter schools
P. F. Chang's	\$881M in sales in 2014	204	1996	Owned by investment firm Centerbridge Partners
PDQ	\$28M in sales	55	1009	Florida based fast-casual chain
Petco	\$4B in revenues	1,400	1965	Purchased by a pair of overseas investing entities for \$4.6 billion early 2016
Pilot Flying J	\$17.77B in revenues	550	1993	Joint Venture of two travel center companies. Parent Pilot Corp
ProBuild	\$3.6B in revenues	423	1997	Provides lumber and materials to contractors
Publix Super Markets	\$32B in revenues in 2015	1,115	1930	Employee owned corporation
Race Trac	\$9B in revenues	661	1934	Privately owned gas station and convenience store
Royal Farms	\$80M in revenues	160	1959	Privately owned convenience stores
Save Mart Supermarkets	\$4.5B revenues	243	1952	Owns Lucky, Food Maxx, and S-Mart
Sheetz	\$6.3B in revenues in 2015	518	1952	Family owned and operated convenience stores open 24/7, opened 11 stores in 2016
TGI Fridays	\$1.8B in sales	507	1965	Owned by private equity firm Sentinel Capital Partners
Wawa	\$8.9B in revenues in 2015	725	1964	Owned by Wild Goose Holding Co, plans to open 50 new stores in 2016
Wegmans	\$7.9B in revenues in 2015	91	1916	Privately owned supermarket chain
Zaxby's	\$1B in annual sales	726	1990	Fast-casual chicken chain

## CHART RATING TIERS

MOODY'S		S&P		FITCH		DBRS		TIER GRADE
LONG-TERM	SHORT-TERM	LONG-TERM	SHORT-TERM	LONG-TERM	SHORT-TERM	LONG-TERM	SHORT-TERM	
Aaa	P-1	AAA	A-1+	AAA	F1+	AAA	R-1H	PRIME
Aa1		AA+		AA(high)				
Aa2		AA		AA		R-1M	HIGH GRADE	
Aa3		AA-	AA(low)					
A1		A+	A(high)	R-1L				UPPER MEDIUM GRADE
A2	A	A						
A3	A-	A(low)						
Baa1	P-2	BBB+	A-2	BBB+	F2	BBB(high)	R-2H	LOWER MEDIUM GRADE
Baa2	P-3	BBB	A-3	BBB	F3	BBB	R-2M	
Baa3		BBB-		BBB(low)		R-2L, R-3		
Ba1	Not prime	BB+	B	BB+	B	BB(high)	R-4	NON-INVESTMENT GRADE SPECULATIVE
Ba2		BB		BB				
Ba3		BB-		BB(low)				
B1		B+		B(high)		R-5	SUBSTANTIAL RISKS	
B2		B		B				
B3		B-		B(low)				
Caa1		CCC+		CCC(high)				
Caa2	CCC	CCC	R-5	EXTREMELY SPECULATIVE				
Caa3	CCC-	CCC(low)						
Ca	CC	CC						
C	/	D	/	CCC	C	CC(high)	D	IN DEFAULT
				CC		CC(low)		
				C		C		
				DDD		D		
				DD				
				D				

## GLOBAL CORPORATE AVERAGE CUMULATIVE DEFAULT RATES (1981-2015) (%)

		YEARS														
S&P	MOODY'S	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
AAA	Aaa	0.00	0.03	0.14	0.25	0.35	0.47	0.52	0.61	0.67	0.73	0.76	0.79	0.82	0.89	0.96
AA+	Aa1	0.00	0.06	0.06	0.11	0.17	0.23	0.29	0.35	0.41	0.47	0.54	0.61	0.68	0.75	0.82
AA	Aa2	0.02	0.04	0.09	0.23	0.38	0.50	0.64	0.75	0.85	0.96	1.05	1.11	1.23	1.30	1.38
AA-	Aa3	0.03	0.10	0.21	0.30	0.38	0.49	0.57	0.62	0.69	0.75	0.82	0.89	0.92	0.97	1.03
A+	A1	0.06	0.12	0.25	0.40	0.52	0.62	0.75	0.89	1.04	1.21	1.36	1.53	1.73	1.96	2.14
A	A2	0.07	0.18	0.28	0.42	0.57	0.77	0.97	1.16	1.38	1.63	1.84	2.00	2.14	2.22	2.41
A-	A3A	0.09	0.22	0.36	0.49	0.68	0.87	1.14	1.34	1.50	1.64	1.78	1.93	2.07	2.21	2.33
BBB+	Baa1	0.15	0.41	0.70	0.98	1.26	1.59	1.84	2.11	2.41	2.71	3.00	3.20	3.46	3.80	4.19
BBB	Baa2	0.23	0.56	0.85	1.26	1.67	2.08	2.46	2.83	3.23	3.63	4.07	4.47	4.79	4.92	5.16
BBB-	Baa3	0.36	1.06	1.83	2.67	3.44	4.13	4.76	5.35	5.84	6.32	6.87	7.32	7.75	8.37	8.84
BB+	Ba1	0.49	1.38	2.48	3.53	4.51	5.49	6.31	6.91	7.65	8.35	8.83	9.41	9.96	10.41	11.03
BB	Ba2	0.76	2.25	4.25	6.01	7.68	9.01	10.22	11.20	12.12	12.91	13.69	14.37	14.70	14.93	15.27
BB-	Ba3	1.22	3.70	6.17	8.50	10.52	12.49	14.14	15.73	17.03	18.17	19.04	19.69	20.39	21.09	21.68
B+	B1	2.51	6.64	10.54	13.76	16.15	18.03	19.74	21.23	22.61	23.87	24.85	25.61	26.34	27.00	27.60
B	B2	5.59	11.77	16.40	19.42	21.61	23.61	25.08	26.08	26.90	27.72	28.42	29.05	29.63	30.19	30.85
B-	B3	8.74	16.36	21.49	25.01	27.82	29.82	31.46	32.51	33.18	33.76	34.56	35.17	35.44	35.75	36.10
CCC/C	Caa1/Ca	27.22	36.41	41.59	44.64	46.99	47.84	48.79	49.59	50.48	51.12	51.61	52.24	53.08	53.74	53.74

Investment Grade	0.12	0.32	0.54	0.80	1.06	1.32	1.56	1.79	2.02	2.25	2.47	2.66	2.84	3.02	3.21
Speculative Grade	4.29	8.28	11.61	14.19	16.25	17.93	19.36	20.54	21.60	22.55	23.34	24.00	24.60	25.13	25.65
All Rated	1.59	3.12	4.44	5.51	6.40	7.16	7.80	8.35	8.85	9.32	9.72	10.05	10.36	10.64	10.92

Source: S&amp;P





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