

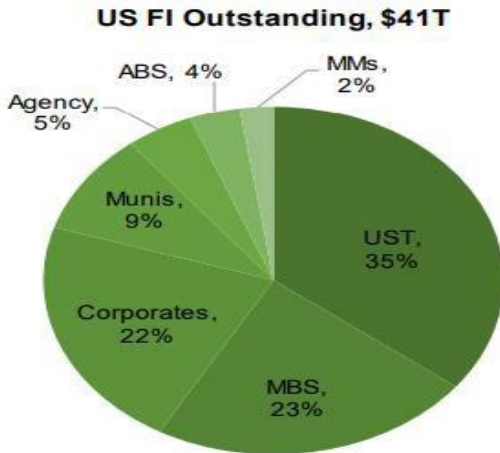
Credit Pitching 101

CSIMA: Fixed Income & Exotics Team
October 2022

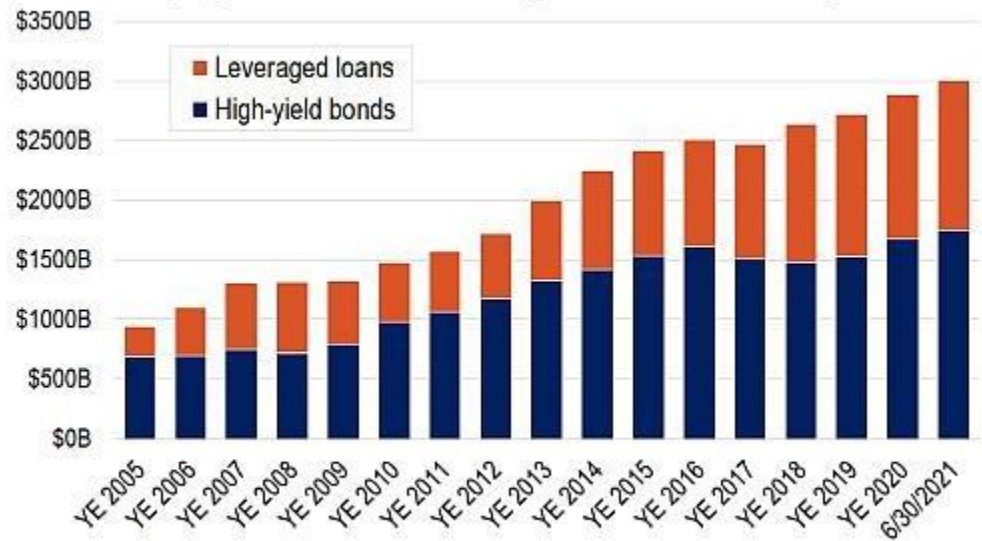
Why Credit Matters



Source: Bank of International Settlements
Note: As of FY17



High-yield bonds and leveraged loans outstanding



Data through June 30, 2021.

Sources: LCD, an offering of S&P Global Market Intelligence; S&P U.S. High Yield Corporate Bond Index

Why Credit Matters

- Check where bonds trade to understand risk/reward and access to capital markets
 - CVNA 5 7/8 10/1/28 Unsecured vs. Equity

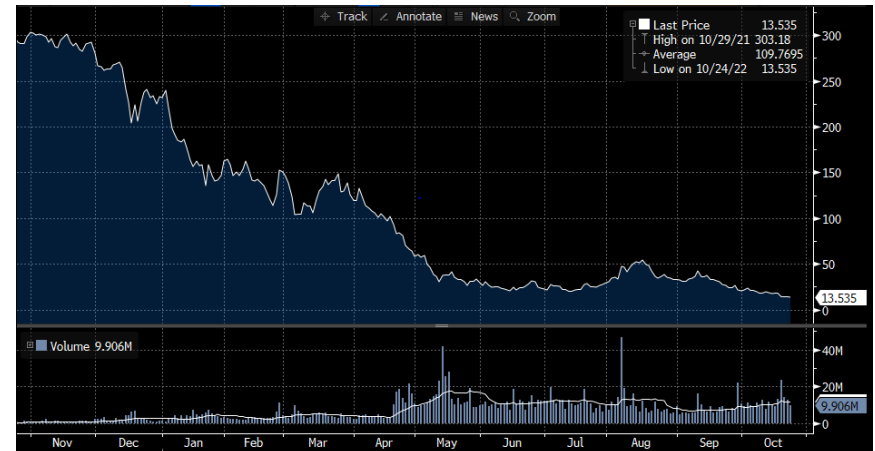


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I. Credit Criteria

- **What types of credit-specific criteria do you screen for?**
 - Incremental to stock filters (e.g. industry, geography, size, valuation)
 - Credit screens will include private companies as well (make sure you don't accidentally screen them out by using mkt cap, for example)
 - Ratings (S&P & Moody's typically)
 - Yields / spreads (bond metrics)
 - Maturity (duration)
 - Corporate leverage
 - **Bloomberg >>> Capital IQ when it comes to credit**

Let's run Example #1 on Capital IQ & Bloomberg

I. How to Screen – Bloomberg

Here is how to screen on Bloomberg...

1. Type SRCH to get to the FI screening tool

Fixed Income Search

Build/Edit Search | My Searches | Example Searches

Build with Criterion | Build by Merging Saved Searches

As of 04/01/2018

1. Select Universe

- 1) Asset Classes: Corporates, Loans (Tranches) 1,936,744 securities
- 2) Sources: All Securities

2. Select Search Criteria

	Field	Boundaries	Selected Criteria	Matches
1)	Security Status	Include	Bonds: Active and Loans: Active	352,322
2)	And		Fields	

296,471 (Bonds) + 55,851 (Loans) = 352,322 securities

Results

3. Additional Analysis Options

Australia 61 2 9777 8600 Brazil 5511 2395 9000 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2018 Bloomberg Finance L.P.
SN 989672 EDT GMT-4:00 H435-3346-2 01-Apr-2018 20:57:41

2. Choose asset classes to screen within FI

I. How to Screen – Bloomberg

The screenshot displays the Bloomberg Fixed Income Search interface. At the top, there is a navigation bar with 'Actions', 'Settings', and 'Fixed Income Search'. Below this, there are tabs for 'Build/Edit Search', 'My Searches', and 'Example Searches'. The main area is titled 'Build with' and contains a 'Fields' list on the left and a 'Field Definition' area on the right. The 'Fields' list includes categories like 'Common Fields', 'Preferreds', and 'Loans', with various sub-fields such as 'Amount Outstanding', 'BICS Classification', 'Country of Incorporation', 'Coupon', 'Coupon Type', 'Currency', 'Fitch Rating', 'Maturity', 'Maturity Type', 'Moody's Rating', 'PCS List', 'S&P Rating', and 'Ticker'. A red box on the left contains the text '3. Select from criteria' with an arrow pointing to the 'Fields' list. The 'Field Definition' area shows a search field with '01/2018' and a dropdown menu with 'securities'. At the bottom, there are buttons for 'Select', 'Cancel', and 'Results'. The status bar at the very bottom shows regional counts and copyright information.

3. Select from criteria

I. How to Screen – Bloomberg

Narrowing the screen by ratings, currency, maturity, YTW, o/s

4. Enter parameters for each criteria

5. Assess universe range to see if you have filtered enough

The screenshot shows the Bloomberg Fixed Income Search interface. The search criteria are as follows:

Field	Boundaries	Selected Criteria	Matches
1) Security Status	Include	Bonds: Active and Loans: Active	352,322
2) And S&P Rating	Include	(BB+,BB,BB-,B+,B,B-,CCC+)	9,353
3) And Currency	Include	(United States Dollar)	7,411
4) And Maturity	In the range	04/05/2023 – 04/05/2028	2,943
5) And Yield to Worst (Mid)	Greater than	8	308
6) And Amount Outstanding	>=	500MM (USD)	117

The interface also shows the following information:

- As of: 04/01/2018
- 1,936,744 securities (initial universe)
- 108 (Bonds) + 9 (Loans) = 117 securities (final results)
- Results button

6. Hit Results when completed

I. How to Screen – Bloomberg

Our finished screen page

<Menu> to Return

Actions Analysis Settings Fixed Income Search: Results

Search Name Unsaved Search

Currency USD (As of Issue Date)

Results Matrix Rank Holders Matrix Holders

All (117) Bonds (108) Loans (9) Preferreds (0) Municipals (0) Mortgages (0)

Group by None 117 / 117

R	Asset Class	Issuer Name	Ticker	Cpn	Maturity	Curr	Amt Out
	Average			7.736			1.14MMM
31)	Corporates	Frontier Communications Corp	FTR	8.500	04/01/2026	USD	1.60MMM
32)	Corporates	Frontier Communications Corp	FTR	11.000	09/15/2025	USD	3.60MMM
33)	Corporates	Valeant Pharmaceuticals Intern	VRXCN	9.250	04/01/2026	USD	1.50MMM
34)	Corporates	China Evergrande Group	EVERRE	9.750	06/28/2025	USD	4.68MMM
35)	Corporates	RackSpace Hosting Inc	RAX	8.625	11/15/2024	USD	1.20MMM
36)	Corporates	Altice France SA/France	SFRFP	7.375	05/01/2026	USD	5.19MMM
37)	Corporates	DISH DBS Corp	DISH	7.750	07/01/2026	USD	2.00MMM
38)	Corporates	MARB BondCo PLC	MRFGBZ	6.875	01/19/2025	USD	1.00MMM
39)	Corporates	PetSmart Inc	PETM	5.875	06/01/2025	USD	1.35MMM
40)	Corporates	Noble Holding International Ltd	NE	7.750	01/15/2024	USD	808.50MM
41)	Corporates	Team Health Holdings Inc	TMH	6.375	02/01/2025	USD	865.00MM
42)	Corporates	Valeant Pharmaceuticals Intern	VRXCN	9.000	12/15/2025	USD	1.50MMM
43)	Corporates	Veritas US Inc / Veritas Bermud	VERITS	10.500	02/01/2024	USD	825.00MM
44)	Corporates	Altice Luxembourg SA	ATCNA	7.625	02/15/2025	USD	1.48MMM
45)	Corporates	Weatherford International LLC	WFT	9.875	03/01/2025	USD	600.00MM
46)	Corporates	Exela Intermediate LLC / Exela	EXLINT	10.000	07/15/2023	USD	1.00MMM
47)	Corporates	Staples Inc	SPLS	8.500	09/15/2025	USD	1.00MMM
48)	Corporates	Albertsons Cos LLC / Safeway In	ALBLLC	6.625	06/15/2024	USD	1.25MMM

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SN 989672 EDT GMT-4:00 H435-3346-2 01-Apr-2018 21:09:48

7. Click on the descriptors to sort by the criteria

8. To export to Excel: Actions -> Export to Excel

9. Use the Matrix tab to compare and sort attributes

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II. Different Credit Approaches

Depending on the credit situation, you will focus on different aspects

	Performing	Stressed	Distressed
Characteristics	New issuance; trading near or above par; high ratings	Trading in the high 70s-low 90s; low double-digit yields	Spread > 1,000 bps; Can trade anywhere between 1- recovery value (inverted yield curve)
Focus on...	Relative value; downside protection; event-driven risks and opportunities; ratings agencies	Liquidity; potential covenant breaches; operational improvement; management levers	Recovery value analysis; liquidity runway; deep covenant understanding with legal help
Watch out for...	Asymmetric return profile; shareholder-friendly activities at expense of bondholders	Rarely stay stressed for long – either move to distressed or performing	Bondholder group formation; large holders with negotiating leverage; info asymmetry
Examples	Proctor & Gamble, Estee Lauder, Anheuser-Busch	Viking Cruises, Coinbase, Transocean	Carvana, Rite Aid, Revlon

II. Different Credit Approaches: Performing Credit

Primary issuance: relative / absolute value, downside protection

- **Company A, a BB company with a large-cap publicly traded market cap, announces a new issue; what do you do?**

Understand use of proceeds: is it a refi deal? Does it increase leverage? Does it fund shareholder-friendly activities?

Use existing yield curve and/or comparable securities (industry, ratings, loan-to-value) to assess fair value

Speak to credit agencies to assess potential impact, especially if leveraging. Understand rationale and timing of deal

Assess relative and absolute value, short- and long-term trading performance, and make recommendation

If any existing bonds, see impact of announcement on trading levels

Listen to management call (if any) and determine if any meaningful changes in covenants, corporate strategy, etc. (fundamentals)

Work with traders to assess market technicals, including overall demand for the deal book, initial price whispers / price talk

II. Different Credit Approaches: Stressed Credit

- Why have the bonds declined?
 - E.g. Leveraging acquisition, large supply of primary issuance to come to market, management commentary to use balance sheet to fund shareholder-friendly activities (buybacks, dividends), ratings change
- What are potential catalysts to realize an attractive return?
 - E.g. Capital allocation changes (dividend cut, suspension of share buybacks), asset sales to reduce leverage, operational turnarounds
- Identify downside protection against further deterioration

II. Different Credit Approaches: Stressed Credit

- **Endo Pharmaceutical unsecured bonds are trading in the 70s**
- Why have the bonds declined?
 - Uncertainty around potential opioid liability. Potential bankruptcy event
 - Over-levered, acquisitive pharmaceutical company that faced competitive pricing pressures so tough to de-lever in near-term
- What are potential catalysts to realize an attractive return?
 - Better than expected opioid settlement, better near-term results, approval and successful launch of products (namely cellulite)
- Identify downside protection against further deterioration
 - Recovery value from operating assets
 - Limited secured capacity in front of you

II. Different Credit Approaches: Distressed Credit

- Different scope from performing/stressed credits
- Stressed: view to return to par
- Distressed: expectation of a haircut via restructuring
 - Think about valuation of the firm vs. the market value of debt
- Downside protection can get tricky
 - Pay careful attention to covenants (e.g. asset sales, subordination)
 - E.g. J. Crew, Revlon
- Recent notable examples:
 - FTR, AMC, MNK, NMG, J. Crew

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III. Key Metrics & Covenants

■ **Common Credit Metrics**

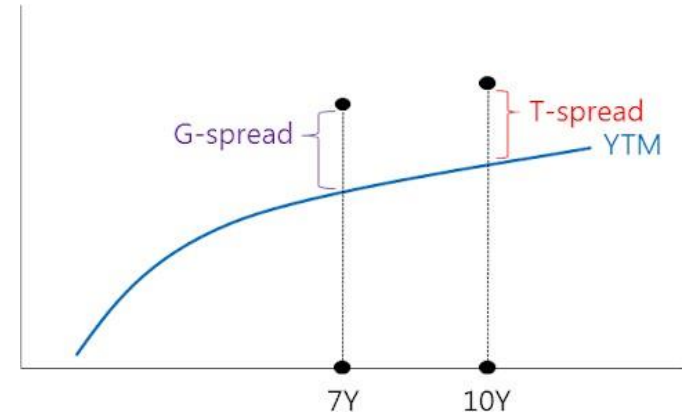
- Loan-to-value (Leverage through each layer of debt as % of total EV)
- Leverage, Gearing (in Europe), Debt / EBITDA (at various levels – 1st lien, 2nd lien, unsecured, subordinate)
 - Can use (Debt + Operating Leases) / EBITDAR or include pension as a liability depending on the specific situation
 - Gross vs net (debt less cash)
 - Face value (principal amount) vs market value (if stressed / distressed)
- FCF / Debt (as %)
- Interest Coverage Ratio EBITDA / Interest or (EBITDA – Capex) / Interest
 - Used in lot of covenants

III. Key Metrics & Covenants

- **Relative Value: more of an art than science**
 - Yield-to-Worst (YTW %) – could be yield to maturity or, if trading at a premium, could be to an earlier call date
 - Yield-to-Call (YTC %) – yield to next call date
 - Option-adjusted Spread (OAS) – spread relative to the benchmark treasury that accounts for embedded options
 - Ratings (S&P / Moody's) – use with caution
 - Duration
 - Issuance size or other measures of liquidity
 - Leverage (though loan-to-value is preferred)
 - Revenue / EBITDA growth rates
 - Fundamental factors (industry, company size, revenue / EBITDA growth rates, margins, business model)

Bond Valuation

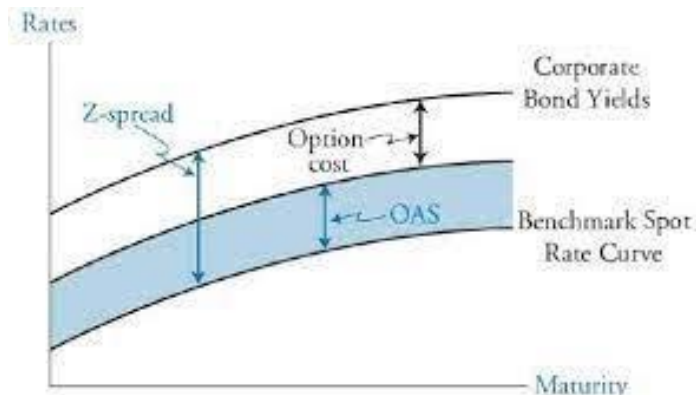
- Use YAS on Bloomberg
- IG – Compare G-spreads
- Can compare either vs similar maturity or vs duration



T 4 1/4 03/01/27 Corp		Settings	Yield and Spread Analysis	
115.808/116.253	1.514/1.443	BMRK @ 11:23	No Notes	95 Buy 96 Sell
1) Yield & Spread		2) Graphs	3) Pricing	4) Description
5) Custom		6) Calls		
T 4 1/4 03/01/27 (00206RDQ2)		Risk		
Spread	71.00 bp vs 10yT 0 5/8 08/15/30	Workout	OAS	
Price	116.0305	5.394	4.831	
Yield	1.478771 Wst	6.300	5.643	
Wkout	12/01/2026 @ 100.00 Consensus Yld 6.6	0.339	-2.371	
Settle	11/06/20	DV 01 on 1MM	630	564
	11/05/20	Benchmark Risk	9.333	9.455
		Risk Hedge	675 M	597 M
		Proceeds Hedge	1,182 M	
Spreads		Invoice		
1) G-Spr	102.9	Face	1,000 M	
2) I-Spr	99.3	Principal	1,160,305.00	
3) Basis	-0.2	Accrued (65 Days)	7,673.61	
4) Z-Spr	100.9	Total (USD)	1,167,978.61	
5) ASW	107.7			
6) OAS	104.1			
Yield Calculations		After Tax (Inc 40.80% CG 23.80%)		
Street Convention	1.478771	0.455777		
Equiv 1 /Yr	1.484238			
Mmkt (Act/360)				
True Yield	1.478693			
Current Yield	3.663			

Bond Valuation

- HY – Bonds trade on \$
- Compare OAS (YTW or spread secondarily)
- Be careful on callability. Look at YTW or workout date and compare to similar bonds with the same ‘workout maturity’ or duration



CAR 10 1/2 05/15/25 Corp		Settings		Yield and Spread Analysis	
116.867/116.999	4.041/3.962	BMRK@ 11:29	No Notes	95 Buy	90 Sell
1) Yield & Spread		2) Graphs		3) Pricing	
CAR 10 1/2 05/15/25 (053773BD8)		Risk		Workout	
Spread	385.85 bp vs 2yT 0 1/8 10/31/22			OAS	
Price	116.933	99-30 7/8	11:29:40	M.Dur	0.922
Yield	4.001223 Wst	0.142732	S/A	Risk	1.124
Wkout	05/15/2022 @ 107.87!	Consensus	Yld 6.6	Convexity	-2.793
Settle	11/06/20	11/05/20		DV 01 on 1MM	112
				Benchmark Risk	1.981
				Risk Hedge	568M
				Proceeds Hedge	1,220M
Spreads		Yield Calculations		Invoice	
1) G-Sprd	386.8	Street Convention	4.001223	Face	1,000 M
12) I-Sprd	378.0	Equiv 1 /Yr	4.041248	Principal	1,169,330.00
13) Basis	10.6	Mmkt (Act/360)	4.039645	Accrued (174 Days)	50,750.00
14) Z-Sprd	378.0	True Yield	3.993196	Total (USD)	1,220,080.00
15) ASW	426.0	Current Yield	8.980		
10) OAS	388.4				
After Tax (Inc 40.80% CG 23.80%)		1.474022			

FYBR 5 05/01/28 Corp	
101.766/102.247	4.562/4
1) Yield & Spread 2) Graph	
FYBR 5 05/01/28 (35906A	
Spread	330.88 bp vs
Price	102.0065
Yield	4.503142 Wst
Wkout	05/01/2026 @ 100
Settle	10/28/21
Spreads	
1) G-Sprd	339.8
12) I-Sprd	328.4
Basis	N.A.
14) Z-Sprd	331.3
15) ASW	327.5
10) OAS	309.2

Relative Value

ICE BofA US High Yield Index (H0A0) - distribution characteristics as of 10/25/2021

Ice Index Platform

Index distribution by Rating	# Bonds	FullVal	%Full Val	Eff Dur	Contr EffDur	Eff Yld	OAS	TRR%MTD	ExRtn%MTD
AAA		4,641.157	0.28510	0.00	0.00	-0.04	0		
BB	1,094	897,725.600	55.14583	4.88	2.69	3.39	214	-0.330	0.173
B	759	548,206.117	33.67541	3.43	1.15	4.76	359	-0.154	0.286
CCC	259	170,286.310	10.46041	2.98	0.31	7.11	601	-0.246	0.155
CC	12	6,316.352	0.38800	3.26	0.01	20.27	1931	-5.101	-4.652
C	3	736.503	0.04524	1.27	0.00	28.12	2774	10.025	10.190
Grand Total	2,127	1,627,912.039	100.00000	4.17	4.17	4.31	311	-0.277	0.193

Index distribution by Industry	# Bonds	FullVal	%Full Val	Eff Dur	Contr EffDur	Eff Yld	OAS	TRR%MTD	ExRtn%MTD
<i>Basic Industry (Sub Total)</i>	238	128,530.232	7.89540	4.25	0.34	4.24	301	-0.256	0.219
Aerospace/Defense	44	38,332.896	2.35473	2.87	0.07	4.72	361	0.173	0.554
Diversified Capital Goods	15	7,289.361	0.44777	3.95	0.02	4.35	309	-0.525	-0.023
Machinery	28	13,528.994	0.83106	3.06	0.03	4.37	329	-0.664	-0.275
Packaging	59	38,695.171	2.37698	3.06	0.07	4.02	297	-0.695	-0.339
<i>Capital Goods (Sub Total)</i>	146	97,846.422	6.01055	3.05	0.18	4.37	327	-0.339	0.041
Beverage	2	1,529.202	0.09394	5.37	0.01	5.27	385	-1.091	-0.400
Food - Wholesale	53	52,668.222	3.23532	7.03	0.23	3.60	214	-0.216	0.223
Personal & Household Products	41	23,645.948	1.45253	4.78	0.07	4.08	282	-0.688	-0.185
Tobacco	3	1,758.037	0.10799	3.24	0.00	6.20	495	0.241	0.729
<i>Consumer Goods (Sub Total)</i>	99	79,601.410	4.88979	6.25	0.31	3.83	244	-0.363	0.101
Energy - Exploration & Production	144	102,704.219	6.30895	5.42	0.34	4.33	303	0.347	0.837
Gas Distribution	126	86,720.513	5.32710	4.89	0.26	4.25	299	0.166	0.679
Oil Field Equipment & Services	40	19,895.375	1.22214	3.09	0.04	7.89	687	1.047	1.491
Oil Refining & Marketing	22	13,867.948	0.85189	3.64	0.03	6.97	591	1.449	1.941
<i>Energy (Sub Total)</i>	332	223,188.055	13.71008	4.90	0.67	4.78	354	0.407	0.902
Health Facilities	46	52,113.375	3.20124	3.31	0.11	3.77	261	-0.053	0.364
Health Services	36	26,505.314	1.62818	3.61	0.06	4.94	368	-1.525	-1.086
Managed Care	13	21,348.579	1.31141	5.57	0.07	3.20	179	-1.208	-0.590
Medical Products	10	6,275.077	0.38547	4.08	0.02	3.69	231	-0.651	-0.139
Pharmaceuticals	39	40,481.624	2.48672	3.93	0.10	5.05	380	-0.424	0.064
<i>Healthcare (Sub Total)</i>	144	146,723.969	9.01302	3.90	0.35	4.25	300	-0.618	-0.144
Gaming	56	44,280.803	2.72010	2.67	0.07	4.48	344	-0.065	0.281
Hotels	25	16,109.598	0.98959	4.45	0.04	3.59	233	-0.427	0.097
Recreation & Travel	45	38,777.852	2.38206	2.98	0.07	4.10	312	0.035	0.467
Theaters & Entertainment	10	7,261.053	0.44603	3.07	0.01	5.77	464	0.724	1.179

Relative Value (COMB on BBG)



III. Key Metrics & Covenants

■ **Covenants**

- Not really an issue with IG companies: IG companies issue under relatively standard covenants. Usually limitation on liens which will impact either IG companies going HY or vice-versa. But not usually 'counting' covenants
- Positive vs Negative: Positive covenants tell a company what they must do (pay taxes, file financials, etc). Negative covenants say what they can't do (raise more debt / pay dividend)
- Incurrence vs Maintenance Covenants: Incurrence covenants govern what the company can do going forward. Maintenance covenants are usually tested at various points
 - Maintenance covenants are almost exclusively in loans and mostly in bank loan agreements. Able to be amended by banks who are friendly with companies

III. Key Metrics & Covenants

■ **Covenants**

- Debt Incurrence: restricts company's ability to raise additional debt, either pari passu, at more senior levels, or at more junior levels
 - Can be governed by an absolute leverage ratio (make sure to understand definitions of Debt and EBITDA in the indenture) or with an interest coverage ratio
 - Should be reviewed in tandem with the limitation on liens covenant to understand overall limitations and more detailed limitations on priming debt; understand the general baskets and carve-outs from the limits

III. Key Metrics & Covenants

■ **Covenants**

- Permitted Investments: outlines company's ability to deploy cash towards investments in unrestricted or non-guarantor subsidiaries (e.g. foreign subsidiaries – and raising debt here)
 - Can be measured with a general basket + carve-outs + limitation calculation (e.g. % of total assets)
 - Otherwise usually builds from a general basket with other carve-outs (e.g. to refinance/repay debt), and then can build over time in a builder basket (calculated using a formula as specified)

III. Key Metrics & Covenants

■ Covenants

- Restricted Payments: restricts company's ability to extract capital from the restricted subsidiary or credit issuer (e.g. dividends, leveraged buyout)
 - Typically unlimited if below a certain leverage ratio or above a certain interest coverage ratio
 - Otherwise usually builds from a general basket with other carve-outs (e.g. to refinance/repay debt), and then can build over time in a builder basket (calculated using a formula as specified in the indenture)

III. Key Metrics & Covenants

■ **Covenants**

- Change of Control: dictates terms for bondholders if the company is acquired
 - Bondholders often have a put right at \$101 in the event of a Change of Control
 - Important to understand what defines a “Change of Control” – often not as straightforward as you would assume – can require a rating change in conjunction with acquisition, or exempt certain parties from the provision

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IV. Pitch Template (A)

Summary recommendation – keep it short

Begin with a short description of the business

Primary Deals

- Short summary of what transaction is: refinance, dividend, buyout, etc.
- Sources and uses breakdown (can be included on capital structure summary)
- In the event the transaction is a take private, include purchase multiple by the sponsor
- Relative value / historical stability of credit / technical environment

Secondary Trades / Ideas

- Trade economics (potential IRR)
- Spread tightening / widening
- Path to refinance / IRR to refinance
- Why is our view a differentiated one?
- What is our edge? Is it data, information, analysis?
- What is the catalyst that will move this bond in a favorable direction?

Then, in either case:

- Risks of trade / merits of trade – add an opinion of likelihood (e.g. “this risk could materialize, but it’s unlikely”)
- Sell discipline on deteriorating credit profile / fundamental trajectory
- Make a judgment on risk premium (spread) relative to historical context, understand why, and where it could go
- Make recommendations to lean in / out based on trading ranges of the credit and its peers
- Make judgment when bonds are down as to why they are down and if they are down for near-term volatility / downside potential or due to an impaired business

****Note: the next few pages are how one fund/PM views the world and the section will reference “slides” and other things (e.g. developing relationships with sponsors) that aren’t as relevant to you as a student – for the Credit IIC and likely interviews, your pitches will be in write-up form... just think of this as information you should include in some form on your pitch or be aware of to the extent you think it makes sense****

IV. Pitch Template (A)

Business Understanding – summarize the business without going into overwhelming detail

- How does the company describe itself and its operations?
- Are there any terms relevant to the company / the industry which need defining? Make a glossary if need be
- When was the company founded, who owns it now, and how often has the company changed hands?
 - Can do a secondary slide about the history of the company, especially if it has gone through significant M&A over time
- What are the company's key products?
 - Which products / services are the most important (revenue / EBITDA)?
 - Is there any outsized profitability in the company?
- What are the company's segments? Break out by whatever is available (revenue, volume, EBITDA, margins)
- What are the key macro drivers and how cyclical / defensive is the business?
 - To the extent cyclical matters, where are we in the cycle? (industry margins, capital intensity, new capacity, expansions, etc.)
- Describe the company's unit-level economics, for example:
 - Retailers – per store / per sq. ft.
 - Automakers – per unit sold
 - *If you were company ABC and you generated a dollar in revenue, how would that dollar flow down the IS / CFS?*
- If relevant, what is their geographical exposure?

****These details can take up multiple slides, especially if there is a nuance to the business and industry that is important to understand****

IV. Pitch Template (A)

Financial summary – summarize financial performance and trends via simple tables/charts – choose the metrics that matter

Capital structure – how is the company capitalized? What kind of debt is on the company's balance sheet?

- Overview of capital structure:
 - Is it top-heavy / bottom-heavy? Secured / unsecured?
 - Is the revolver an ABL / RCF? If an ABL, how does the borrowing base work?
- Top holders (*ask trader for commentary... not always easy to determine*)
 - This could play an important role if loan is primarily held by CLOs or if a particular bond is concentrated with one investor
- Leverage
 - Over time, how has the secured and net debt trended (compare to your EBITDA and Company-defined EBITDA)
- Liquidity
 - Snapshot of their current cash balance and available capacity through the revolver

Org Chart – what subsidiaries issued debt? What subsidiaries hold the assets? How do the bonds' claims relate to its assets?

- What entity has the debt? Is it the same box as the operations?
- What are the various bonds' claims? Are bonds secured by:
 - Assets?
 - Stock pledges?
 - Negative pledges?
 - Are bonds structurally subordinated by debt at downstream / upstream entities?
- Relative strength of credit agreement / bond indenture, specifically:
 - Incremental debt capacity / ability to secure incremental debt
 - Restricted payment capacity / investment capacity / cash and asset leakage risk, generally
 - Flexibility of non-guarantor or unrestricted subsidiaries

IV. Pitch Template (A)

Comp table – bond comps / public comps

- Use best available comps or industry peers
- Can we compare unit economics to valuations?
- Look to index for sub-index peers if there is no pure-play
- Include comment on judgement on RV / why is the target bond trading XYZ
- If the trade thesis is an upgrade or debt is currently cheap, include an anticipated return based on current price, expected price, and how long it will take for the catalyst to occur

Competitive landscape / macro – explain the industry, what are the key themes and who competes in the space

- What are the competitive dynamics (value proposition and customer decision points) for the company's products?
- Are the company's products at risk of obsolescence?
- Who are the primary competitors for the company?
 - What is the market share split? Where does the company stack up?
 - How has share trended over time? How did companies take / lose share?
 - How do the closest peers' cost structure / margins differ?
 - Are there any structural / permanent differences between company and its competitors?
- Are there recent changes in the industry that will have an impact on the companies within?
- What is going on in the industry? Is there a secular decline (malls / department stores)? What are the tailwinds and headwinds within the industry?
- Is there government regulation that impacts the industry? If so, how and what is the current outlook?
- If there are any other industry-based merits that support an investment, use a slide to describe why with supporting data

IV. Pitch Template (A)

Summary of key business characteristics

- Products
- Markets / sectors / end customers, overlaid with peer exposure if possible
- Capacity if applicable (e.g. manufacturing widgets – how many widgets can they produce?)
- Market position - % share, industry structure, what % top producers are of production, regional capacity split
- Product pricing – how do we track prices? Contracts or spot market? If contractual, how long are agreements?
- Cost structure – give estimates from management or street, how much is fixed vs. variable, what are unit cost economics, where is company relative to peers on cost curve? Any advantages/disadvantages?
- Raw materials – what raw materials matter the most? How are they obtained? Contractual? How does company manage price risk?
- Seasonality – demand seasonality, supply seasonality, working capital build seasons
- Degree of cyclicity
- Pricing / profitability – explain major moves in profitability over time
- Technology / innovation – any risks/advantages from this perspective?

Financial modeling – snapshot of model to show performance

- Simple copy of reported financial statements to model and simple straight-line assumption to begin
- Obtain reported KPIs and tie to historical model, then drive forecast based on KPIs
 - Once KPIs are implemented, figure out how to track them independently of the company
 - How is the cost structure related to the KPIs given? For example:
 - For a volume-based business, is there a volume that covers fixed costs?
 - For a retailer, what kind of SSS growth is necessary to offset inflation?
 - How does the company achieve growth in KPIs?
- Focus on unit-level economics and how the conceptual understanding matches up with reported results (i.e. what is operating leverage and how does it show up in the financials?)
- Quantify how this company's cost structure is different than others, how are unit economics different and specify which company is the exception vs. the rule

IV. Pitch Template (A)

Business valuation – what is the terminal valuation of the company? How does that valuation compare to its debt level?

- If the most transaction was an LBO, what were the economics of the transaction?
 - Buyer / seller / multiple paid
 - Equity check % of consideration
- Does the company's cash flow profile match up with the asset value?
- Include transaction history if applicable
- Where was the transaction multiple in the context of its contemporaneous / historical transactions?
- Should valuation (or multiple) increase / decrease based on fundamental improvement / deterioration? Explain
- What is the strategic value of the company? Are there any crown jewel assets or major value destructors?

Qualitative analysis – extra details to round out diligence

- What is the street thinking? What are the key points of a bear and bull thesis?
 - What could they be missing?
- What scenario is the market pricing in? Does this vary between bulls and bears? What is the consensus narrative on if the company will grow / perform?
- Who owns the bonds? Is it in CLO-type of buyers or stressed / distressed accounts?
- Read about competitors to better understand the competitive landscape / macro picture and how it affects other players
- Do a short, 1-page model (30 mins or so) to understand how the financial profiles compare (margins, capital intensity, capital structure / fixed charge coverage)
- Have a one-off conversation with IR / CFO to validate / figure out what the company is thinking and how it views itself
- Develop relationships with
 - Company management (CEO / CFO)
 - Private equity sponsor / deal team
- What are trade rags of the industry saying and how do industry participants view the industry?
- Expert calls: see if there are formers or individuals at a competitor or within the industry to ask detailed questions. Check expert network transcripts too.
- Is there data available to create an edge?

IV. Pitch Template (B)

Things to Include in a Pitch

(not all apply to every situation, order not important)

- Background/company info
- Capital Structure
- Liquidity (of company)
- Thesis and catalyst
- The trade
- The situation (recent events, why does this opportunity exist)
- Valuation (EBITDA multiples, comps, DCF, SOTP, replacement etc.)
- Bull case, bear case, scenarios
- Rate of return, price target
- Risks and mitigants
- Quantify downside
- Liquidity (of trading)
- Opinion on the business
- Financial projections
- Covenant compliance
- Hedges discussion (if any)
- Liquidation analysis
- Document review (unusual rights and risks, law firm or service review)
- Industry discussion

IV. Pitch Template (B)

Company Name (BB TICKER) _% due 20___: Long / Short

Executive Summary

- Investment thesis - key thesis points which may include:
 - Fundamental improvement to business
 - Plans to reduce leverage reduction
 - Improvements in cash flow generation
 - Hidden value & liabilities
- Low/Base/High case overview, probability weight
 - IRR, money multiple
- Major risk factors

IV. Pitch Template (B)

Business analysis

- Description of business
- Recent developments and current problems
- Industry analysis – competitive landscape, life cycle, cyclicalities, cost structure, dependence on customer/suppliers, regulation

Capital Structure/Corporate Structure & Covenants

- Lay out detailed capital structure table (organizational chart needed if bonds are at different entities – e.g. HoldCo and Opco bonds)
- Security characteristics, secured/unsecured, guarantees, covenants
- Show leverage through each layer of debt as well as loan-to-value
- Highlight key covenants (debt incurrence, restricted payments, change of control, etc.)
- Summarize balance sheet strategy (leverage targets) and methods in which company can execute on strategy (e.g. free cash flows to pay down debt, cutting dividend to improve cash flows, refinancing ability, risk of being “primed” due to senior debt capacity, etc.)

IV. Pitch Template (B)

Profitability analysis

- Summarize sales, growth, margin analysis projections and assumptions
- Projected income statement

Liquidity analysis – stressed/distressed

- Operating cashflow projections, bridge earnings/EBITDA to cashflow
- Maturities schedule
- Working capital/fixed capital investment
- Other cash outflows

Comps analysis

- List competitors/similar companies with publicly traded debt
- Comp table with basic financial info (revenue, EBITDA, leverage, valuations, rating)
- Indicative bond for pricing (ideally matching bond maturity)
- Yield/spread per turn of leverage

IV. Pitch Template (B)

Detailed Investment Thesis

- Elaborate on each of the points made in the introduction
- Include graphs that show projected fundamental improvements and impact to FCF to debt
- Provide fundamental research that supports your thesis
- Show summary financials that show how credit improves

Valuation/Recovery analysis

- Valuation methodologies, metrics, comps
- Waterfall and recovery calculation – stressed/distressed

Key Risks

- Highlight fundamental business risks to the thesis
- Describe credit negative events for the credit (leveraging acquisition, additional debt capacity, limited access to the capital markets to refinance or raise new debt, etc.)

Appendix

- Summary financials, valuation, and other supplementary information

V. Bloomberg Tips and Tricks

Security Description ("DES")

< > | MAT 6 3/4 12/31/2025 144A Corp | DES | Related Functions Menu | Message | ★ | ?

MAT 6 3/4 12/31/25 \$↑**105.832** **+.266** **Yld 2.183**
 At 19:10 Source BMRK

MAT 6 3/4 12/31/25 Cor Settings Actions Page 1/12 Security Description: Bond
 94) No Notes 95) Buy 96) Sell

25) Bond Description	26) Issuer Description	Identifiers
Pages 11) Bond Info 12) Addtl Info 13) Reg/Tax 14) Covenants 15) Guarantors 16) Bond Ratings 17) Identifiers 18) Exchanges 19) Inv Parties 20) Fees, Restrict 21) Schedules 22) Coupons Quick Links 32) ALLQ Pricing 33) QRD Qt Recap 34) TDH Trade Hist 35) CACS Corp Action 36) CF Prospectus 37) CN Sec News 38) HDS Holders 66) Send Bond	Issuer Information Name MATTEL INC Industry Consumer Products (BCLASS) Security Information Mkt Iss PRIV PLACEMENT Country US Currency USD Rank Sr Unsecured Series 144A Coupon 6.750000 Type Fixed Cpn Freq S/A Day Cnt ISMA-30/360 Iss Price 100.00000 Maturity 12/31/2025 MAKE WHOLE @50.000000 until 12/31/20/ CALL ... Iss Sprd +444.00bp vs T 2 1/4 11/15/25 Calc Type (1)STREET CONVENTION Pricing Date 12/15/2017 Interest Accrual Date 12/20/2017 1st Settle Date 12/20/2017 1st Coupon Date 06/30/2018	Bond Ratings Moody's B1 S&P B+ Fitch B+ Composite B+ Issuance & Trading Aggregated Amount Issued/Out USD 1,500,000.00 (M) / USD 1,500,000.00 (M) Min Piece/Increment 2,000.00 / 1,000.00 Par Amount 1,000.00 Book Runner JOINT LEADS Reporting TRACE

V. Bloomberg Tips and Tricks

Yield and Spread Analysis ("YAS")

MAT 6 ³ / ₄ 12/31/25 Corp				Settings ▾	Yield and Spread Analysis				
105.806/105.857		2.319/2.048		BMRK @ 19:10		No Notes		95) Buy	96) Sell
1) Yield & Spread		2) Graphs		3) Pricing		4) Description		5) Custom	
6) Calls									
MAT 6 ³ / ₄ 12/31/25 (577081BB7)				Risk					
Spread	206.28 bp	vs	1yB 0 10/07/21			Workout	OAS		
Price	105.8315		0.11875	10:30:38			0.174	0.114	
Yield	2.183352	Wst ▾	0.120503	Conv ▾			0.188	0.123	
Wkout	12/31/2020 @ 105.06		Consensus Yld 6 6				0.001	-0.409	
Settle	10/27/20		10/26/20			DV ▾ 01 on 1MM	18.83	12.27	
						Benchmark Risk	0.946	0.946	
						Risk Hedge	199 M	130 M	
						Proceeds Hedge	1,081 M		
Spreads				Invoice					
1) G-Sprd	209.4	Street Convention		2.183352	Face		1,000	M	
2) I-Sprd	196.7	Equiv 1 /Yr		2.203109	Principal		1,058,315.00		
3) Basis	-155.9	Mmkt (Act/360)		2.116172	Accrued (117 Days)		21,937.50		
4) Z-Sprd	196.8	True Yield		2.183352	Total (USD)		1,080,252.50		
5) ASW	204.9	Current Yield		6.378					
6) OAS	207.2								
After Tax (Inc 40.800 % CG 23.800 %)				0.606488					

V. Bloomberg Tips and Tricks

Credit Profile ("CRPR")

MAT 5 7/8 12/15/27 Co	Company Tree Ratings ▾	Alert	Page 1/2	Credit Profile
Mattel Inc				
1) Bloomberg Default Risk DRSK »				
Moody's				
2) MAT 5 7/8 12/15/27	B1			
3) Outlook	STABLE			
4) Long Term Rating	B1			
5) LT Corp Family Rating	B1			
6) Senior Unsecured Debt	B3			
7) Subordinated Debt	WR			
8) Short Term	NP			
9) Probability of Default	B1			
10) Spec Grade Liquidity Rtg	SGL-2			
Standard & Poor's				
11) Standard & Poor's				
12) MAT 5 7/8 12/15/27			B+	
13) Issue Recovery Rating			3(65%)	
14) Outlook			NEG	
15) LT Foreign Issuer Credit			B+	
16) LT Local Issuer Credit			B+	
17) ST Foreign Issuer Credit			NR	
18) ST Local Issuer Credit			NR	
Fitch				
19) MAT 5 7/8 12/15/27			B+	
20) Issue Recovery Rating			RR2	
21) Outlook			POS	
22) LT Issuer Default Rating			B-	
23) Senior Unsecured Debt			B	
24) Short Term			WD	
25) ST Issuer Default Rating			WD	

V. Bloomberg Tips and Tricks

Trade Recap (“QRD”)

MAT 5 ⁷ / ₈ 12/15/27 Corp										1) Actions		97) Settings		Page 1 Trade/Quote Rec			
Range		10/01/20		08:00:00		- 10/23/20		17:30:00		95) Buy		96) Sell					
2) Trade Recap				3) Quote Recap													
Source		TRAC		Show Ticks		All		Cond Code Definitions									
High		--		Low		--											
Date	Time	Size(M)	Price	Yield	RPS	R...	C...	Sprd	Benchmark	CC	Trd ...	Trd Time	Act	Ind	R...	A	
		> 500			Al												
10/23	13:52:28	1000+ e	↑110.250	2.900	S	D	C	274.8	T 0 ¹ / ₈ 09/30/...		10/23	13:52:17			m		
10/23	12:59:59	1000+ e	↑109.750	3.126	S	D	C	297.8	T 0 ¹ / ₈ 09/30/...		10/23	12:57:09			m		
10/22	10:32:59	1000+ e	↓108.500	3.699	B	D	C	355.0	T 0 ¹ / ₈ 09/30/...		10/22	10:24:47			m		
10/22	10:28:27	1000+ e	↓108.700	3.607	S	D	C	345.9	T 0 ¹ / ₈ 09/30/...		10/22	10:26:14			m		
10/22	08:51:51	1000+ e	↑108.750	3.584	S	D	C	343.6	T 0 ¹ / ₈ 09/30/...		10/22	08:48:19			m		
10/21	12:56:10	720	↑108.750	3.591	S	D	C	344.1	T 0 ¹ / ₈ 09/30/...		10/21	12:54:47			m		
10/21	12:39:32	720	↓108.550	3.683	S	D	D	353.2	T 0 ¹ / ₈ 09/30/...		10/21	12:38:34					
10/21	12:38:31	720	↓108.580	3.669	S	D	D	351.9	T 0 ¹ / ₈ 09/30/...		10/21	12:38:33					
10/21	10:20:58	943	↑108.668	3.629	S	D	D	347.8	T 0 ¹ / ₈ 09/30/...		10/21	10:21:00					
10/21	10:20:58	943	↓108.606	3.657	B	D	C	350.7	T 0 ¹ / ₈ 09/30/...		10/21	10:21:00			m		
10/19	10:13:24	1000+ e	↑108.870	3.542	B	D	C	339.4	T 0 ¹ / ₈ 09/30/...		10/19	10:13:19			m		
10/16	13:26:59	1000+ e	↑108.875	3.542	S	D	C	340.0	T 0 ¹ / ₈ 09/30/...		10/16	13:26:40			m		
10/16	09:10:24	699	↓108.377	3.768	B	D	C	363.0	T 0 ¹ / ₈ 09/30/...		10/16	09:10:05			m		
10/14	10:21:06	Trade size: 699	↑108.979	3.505	S	D	C	336.5	T 0 ¹ / ₈ 09/30/...		10/14	10:20:40			m		
10/08	10:57:54	1000+ e	↓108.750	3.616	B	D	C	346.4	T 0 ¹ / ₈ 09/30/...		10/08	10:56:09			m		
10/08	10:56:24	1000+ e	↑108.800	3.593	S	D	C	344.1	T 0 ¹ / ₈ 09/30/...		10/08	10:56:07			m		
10/07	16:08:37	1000+ e	↓108.000	3.963	B	D	C	380.9	T 0 ¹ / ₈ 09/30/...		10/07	16:08:33			m		
10/07	10:25:06	1000	↑108.364	3.798	S	D	D	364.5	T 0 ¹ / ₈ 09/30/...		10/07	10:24:38					
10/06	17:08:59	1000+ e	↓107.875	4.021	B	D	C	387.2	T 0 ¹ / ₈ 09/30/...		10/06	17:08:29			m		

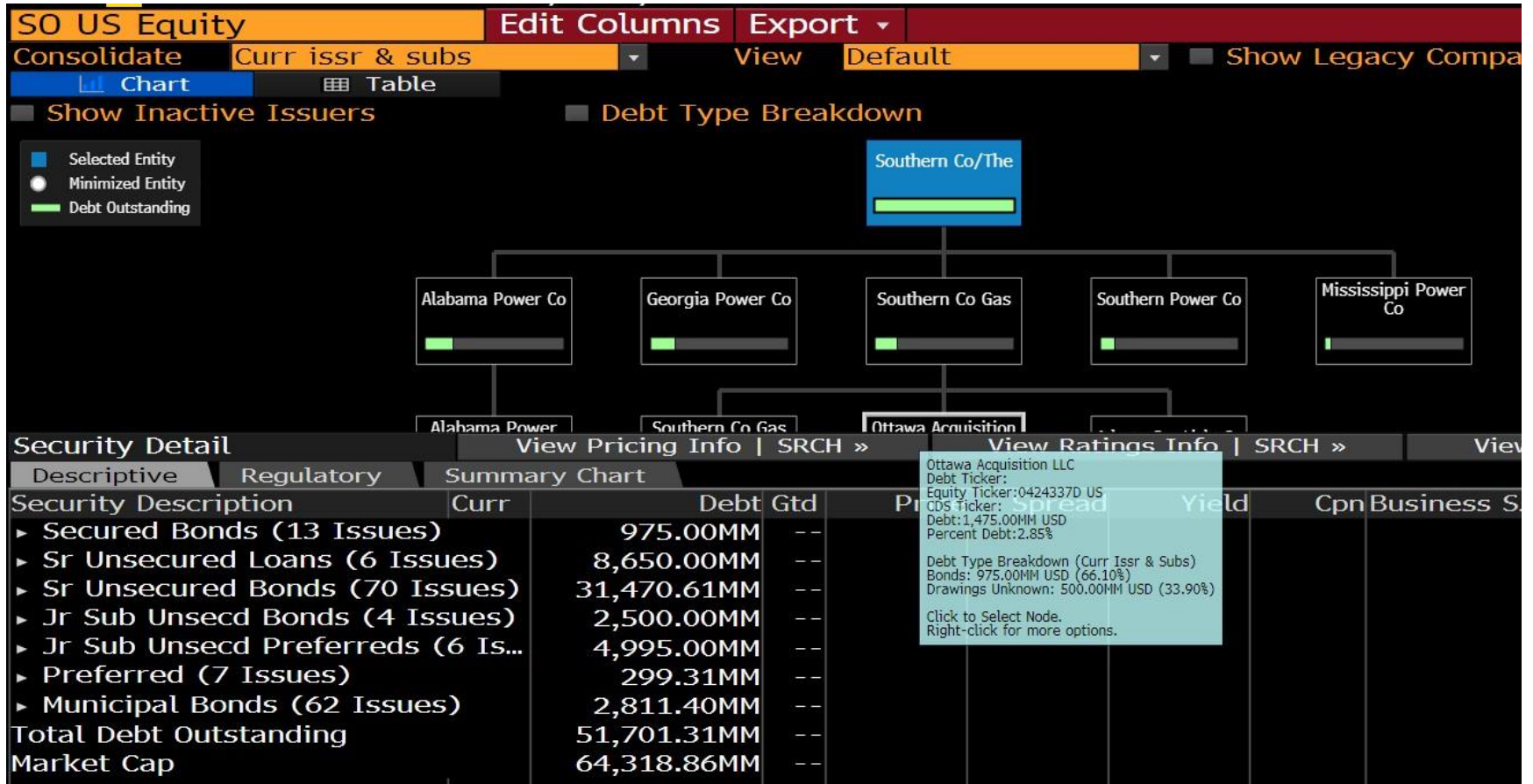
V. Bloomberg Tips and Tricks

Debt Distribution (“DDIS”)



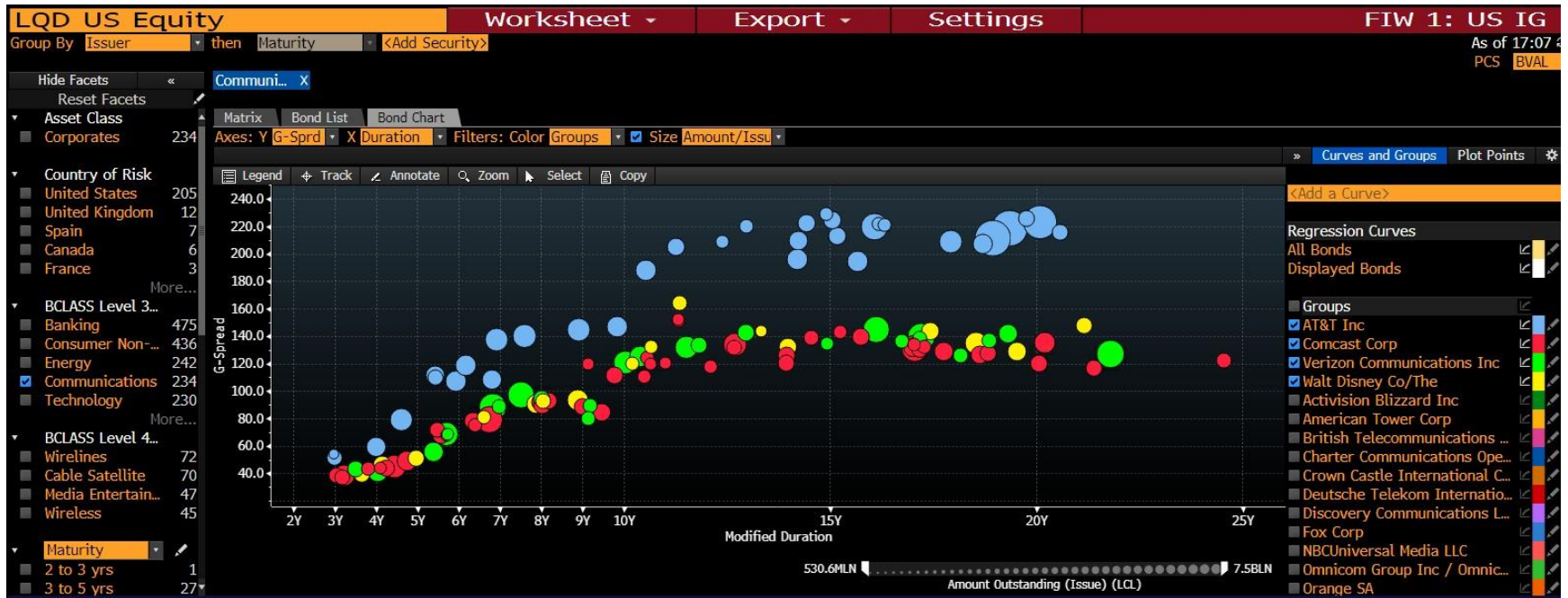
V. Bloomberg Tips and Tricks

Capital Structure ("CAST")



V. Bloomberg Tips and Tricks

Fixed Income Worksheet (“FIW”)



VI. Pitch Example

Rite Aid

Bill Henry

	Coupon	Maturity	Ranking	Price	YTW	Workout Date	OAS
RAD	7.50%	7/1/2025	First Lien Notes	102.52	6.83%	7/1/2024	526
RAD	6.13%	4/1/2023	Guaranteed Senior Unsecured	91.26	9.38%	4/1/2023	790
RAD	7.70%	2/15/2027	Senior Unsecured	81.74	11.40%	2/15/2027	981
RAD	6.88%	12/15/2028	Senior Unsecured	76.00	11.21%	12/15/2028	958

Investment Considerations: We recommend a MarketWeight on RiteAid (RAD) as the risk/reward profile seems balanced at this point in time. We prefer to move up in quality and the capital structure into the recently announced 7.50% 1L Notes due 2025 as it offers solid return characteristics for secured debt that is unlikely to be impaired. While it appears RAD's turnaround is achieving results, the turnaround is likely to take time and the 6.125% Sr Unsecured (Guaranteed) Notes seem to be largely pricing in its success. While current asset valuation likely supports the 6.125% Sr Unsecured (Guaranteed) Notes, the valuation is obviously very sensitive to margins and multiples which given the uncertainty facing the future of retail pharmacies, could change.

RAD Capital Structure							
As of	Coupon	Maturity	Rating	Arrt	Adj.	Arrt	PF
11/30/2019				Outstanding		Outstanding	Leverage
Cash on Hand				\$ 289.5		\$ 289.5	
Distribution Center Sale Proceeds				\$ 133.5		\$ 133.5	
LTM Adjusted EBITDA				\$ 536.7		\$ 536.7	
Secured							
Senior Secured Revolver		12/20/2023		1,135.0		1,135.0	
FI LO Term Loan		12/20/2023		450.0		450.0	
Senior Secured Notes		2025		-	600.0	600.0	
				1,585.0		2,185.0	3.0x 4.1x
							2.2x 3.3x
Guaranteed Unsecured Debt							
Sr Gtd. Notes	6.125			1,753.5	(600.0)	1,153.5	
				3,338.5		3,338.5	6.2x 6.2x
							5.4x 5.4x
Unguaranteed Notes							
Sr Notes	7.7			237.9		237.9	
Sr Notes	6.875			29.0		29.0	
				3,605.4		3,605.4	6.7x 6.7x
							5.9x 5.9x
RAD Equity Market Cap							
				674.0			
RAD Enterprise Value							
				3,989.9			7.4x

Liquidity	
Cash	289,498
Warehouse Proceeds	133,521
Revolver Availability	1,481,805
Total Liquidity	1,904,824

Incremental Secured Capacity 0

VI. Pitch Example

Rite Aid

Bill Henry

Strengths

- Strong Liquidity – The company enjoys strong liquidity via its \$2.7 billion revolver. Even accounting for its recent secured deal, RAD enjoys full access to the remaining \$1.48bn of availability under its revolver.
- Secular Growth – RAD is exposed to secular growth to the aging American population via prescription drug sales. As the baby boomer population continues to age, RAD should benefit from increasing prescription drug spending and prescription volumes. Additionally, RAD is positively exposed to Medicare Part D which should benefit from more of the population becoming Medicare eligible.
- Previous (failed) acquisitions imply adequate asset coverage – Continued interest in RAD's assets as evidenced by the failed merger with WBA, the asset sale to WBA, and the failed merger with ABS shows that there is interest in RAD's assets. However, given the change in performance and industry threats, I do believe using past multiples can be deceiving as multiples for the industry have largely compressed.
- Limited near-term maturities – RAD does not have any meaningful maturities until the 2023 debt stack (springing lien in the bank debt for 2022)

Weaknesses / Threats:

- High Leverage / Limited FCF – The company operates with relatively high leverage at 5.9x for a retail pharmacy. While asset valuation would imply full coverage of the debt stack, it remains sensitive to EBITDA and market multiples. Additionally, RAD generates limited FCF which will delay de-leveraging absent EBITDA margin expansion.
- Low margins – RAD suffers from low margins. Some of it was likely attributed to the recent failed mergers where the company lost negotiating power with suppliers. However, some of it is likely attributed to the pressure facing traditional retailers coupled with reimbursement pressures. RAD is sub-scale in its PBM and retail pharmacy business which reduces its negotiating power in a space that is being consolidated.
- Potential disruption – The threat of Amazon remains. Obviously it has and will continue to impact the traditional retail side of RAD. However, with its recent purchase of PillPack that has licenses in all 50 states, the threat appears to be escalating and could impact both the PBM as well as the pharmacy business.
- Threats to the PBM Business, Possible Sale/Spin-Off – While the Trump administration decided to withdraw the proposed rebate rule, scrutiny remains around the PBM business model. That said, there is clearly appetite for PBMs among payors so a sale or spin-off could be attractive to equity holders. However, we view the comments from the CEO about the importance of the PBM coupled with her experience in omni-channel healthcare as making it less likely that RAD would separate its PBM in the near-term.
- Opioid lawsuits – As of September 24, 2019, 1,262 opioid related lawsuits named RAD as a defendant. Obviously, an adverse ruling in these cases could challenge the company's de-leveraging plans. However, given the number of lawsuits, legal fees are likely to chew into cash flow in the near future.

VI. Pitch Example

Rite Aid

Bill Henry

Summary Financials

	FY17	FY18	FY19	FY20E	FY21E	FY22E
	3/4/2017	3/3/2018	3/2/2019			
Retail Pharmacy Revenues	\$16,766.6	\$15,832.6	\$15,757.2	\$15,554.1	\$15,600.2	\$15,655.0
Retail Pharmacy Revenue Growth	-0.30%	-5.60%	-0.50%	-1.29%	0.30%	0.35%
Same-Store Pharmacy Sales Growth	-1.90%	-3.90%	1.70%	1.23%	1.00%	1.00%
Same-Store Front-End Sales Growth	1.60%	-0.80%	-1.40%	-0.50%	-1.00%	-1.00%
Pharmacy Services Revenue	\$6,389.9	\$5,896.7	\$6,093.7	\$6,265.6	\$6,453.6	\$6,647.2
Pharmacy Services Revenue Growth	N/A	-7.80%	3.30%	2.82%	3.00%	3.00%
Revenue	\$22,927.5	\$21,529.0	\$21,639.6	\$21,639.5	\$22,053.8	\$22,302.2
Growth (Yor)	10.4%	-6.1%	0.5%	0.0%	1.9%	1.1%
COGs	(17,862.8)	(16,748.9)	(16,963.2)	(16,991.1)	(17,214.4)	(17,444.6)
Gross Profit	5,064.7	4,780.1	4,676.4	4,648.4	4,839.4	4,857.6
Gross Margin	22.09%	22.20%	21.61%	21.48%	21.94%	21.78%
SG&A	(4,777.0)	(4,651.3)	(4,592.4)	(4,602.3)	(4,625.6)	(4,619.3)
Operating Profit	287.7	128.8	84.0	46.1	213.8	238.2
Operating Margin	1.25%	0.60%	0.39%	0.21%	0.97%	1.07%
Adjusted EBITDA	747.9	559.9	563.4	546.5	544.4	555.3
EBITDA Margin	3.27%	2.60%	2.53%	2.51%	2.47%	2.48%
Cash From Operations	183.0	511.5	-165.7	138.4	270.8	309.9
CapEx	-299.8	-214.8	-244.7	-210.3	-192.0	-191.9
FCF	-71.1	325.6	-362.5	-38.5	78.9	111.9
Cash	245.4	447.3	447.3	419.9	498.8	610.7
Total Debt	3,233.6	3,360.9	3,360.9	3,575.7	3,575.7	3,575.7
Net Debt	3,008.2	2,913.5	2,913.5	3,155.8	3,076.9	2,965.0
TTM Adjusted EBITDA	747.9	559.9	563.4	546.5	544.4	555.3
Gross Leverage	4.4x	6.0x	6.0x	6.5x	6.8x	6.4x
Net Leverage	4.0x	5.2x	5.2x	5.8x	5.7x	5.3x
FCF / Net Debt	NM	11%	NM	NM	3%	4%
EBITDA/Interest	3.7x	2.8x	2.5x	2.4x	2.4x	2.5x

Peer Financial Analysis

	RAD	CVS	WBA	KR	SPM	WMK
LTM Sales	21,581	244,311	137,412	121,484	5,539	3,534
Sales Growth	-0.30%	29.60%	2.10%	-2.50%	9%	1%
Gross Profit	4,625	43,502	29,800	26,794	1,847	927
Gross Margin	21.4%	17.80%	21.70%	22.10%	33.30%	26.20%
Adjusted EBITDA	537	19,312	7,983	5922	594	208
Adjusted EBITDA Margin	2.89%	7.90%	5.80%	4.90%	10.70%	5.70%
Cash From Operations	(122)	12,693	6,195	4,479	382	176
CapEx	(187)	(2,488)	(1,619)	(3,073)	(175)	(101)
Free Cash Flow	(309)	10,207	4,576	1,406	207	75
EV/EBITDA	7.4x	10.2x	9.0x	7.6x	5.5x	5.2x

Source: RAD Financials, Bloomberg

VI. Pitch Example

Sum of The Parts Analysis

- Given the two segments, retail pharmacy and a PBM are likely to command different multiples, I applied a sum of the parts analysis with a waterfall to show a perspective recovery for the various bonds.
- For the retail pharmacy business, I applied a 5x multiple on a lease adjusted EBITDA assuming they sell their owned retail and distribution centers. Given RAD's subscale business, a 5x multiple for a distressed retail pharmacy seemed appropriate.
- For the PBM business, I applied a 10x multiple which is in-line with recent sales. Given the uncertainty around the future of the PBM and RAD's subscale, 10x seems more than fair.

PBM Business	
Adjusted EBITDA	\$155
Multiple	10.0x
Value	1,552

Retail Business	
Adjusted EB	\$330
Multiple	5.0x
Value	1,649

Distribution Centers Owned	
Maryland	885,000
Michigan	325,000
Woodland, CA	513,000
Lancaster, CA	914,000
New York	828,000

Total	3,465,000
Value at \$100 / Sq Ft	346,500,000

Retail Stores Owned	
Total Stores Owned	131
Average Square Feet	10,500
Square Feet Owned	1,375,500

Expected Lease Value (\$20 / square foot)	27,510,000
Sale Value (8x Lease)	220,080,000

Enterprise Value	
Retail Business	1,649
Retail Real Estate	220
PBM Business	1,552
Distribution Center Real Estate	347
Total Enterprise Value	3,767
Implied Blended EV/EBITAMul	7.0x

Waterfall Analysis	Cumulative Claim
Total Admin Claims	500
Recovery	100%
Secured Revolver Borrowings	1,135
FLO	450
Secured Notes	600
Total Secured Claims	2,185
Recovery	100%
Unsecured Guaranteed Bonds	1,153
Recovery	94%
Unsecured Claims	
Lease	828
Accounts Payables	1,534
Other L-T Liabilities	207
Senior Unsecured Notes	267
Total Unsecured Claims	6,474
Recovery	0%

EBITDA Multiple	Adjusted EBITDA					
	450	475	500	525	550	575
4.5x	0%	0%	0%	0%	0%	0%
5.0x	0%	0%	0%	0%	8%	18%
5.5x	0%	0%	6%	18%	29%	41%
6.0x	1%	14%	27%	40%	53%	66%
6.5x	21%	35%	49%	63%	77%	91%
7.0x	40%	56%	71%	86%	100%	100%
7.5x	60%	76%	92%	100%	100%	100%
8.0x	79%	97%	100%	100%	100%	100%
8.5x	89%	100%	100%	100%	100%	100%
9.0x	100%	100%	100%	100%	100%	100%
9.5x	100%	100%	100%	100%	100%	100%
10.0x	100%	100%	100%	100%	100%	100%

VI. Pitch Example

Retail Pharmacy Precedent Transactions

Date Announced	Target	Acquirer	EV/ EBITDA
8/17	Rite Aid Corp (1932 Stores)	Walgreens	13.1x
10/15	Rite Aid Corp	Walgreens	11.5x
7/14	National Co-Operative Chemists Ltd.	Bestway(Holdings) Limited	9.1x
5/14	Farmacias Ahumada S.A	Alliance Boots	12.1x
7/13	Shoppers Drug Mart Corp.	Loblaw Companies Limited	11.4x
2/10	Duane Reade Inc.	Walgreens	10.9x
8/08	Longs Drug Store Corp.	CVS Caremark Corp.	9.9x
4/07	Alliance Boots	KKR	13.2x
8/06	Eckerd and Brooks	Rite Aid Corp.	9.2x
1/06	Sav-on and Osco	CVS Caremark Corp.	9.8x
4/04	Eckerd	CVS Caremark Corp.	10.8x
4/04	Eckerd	Jean Coutu Group (PJC) Inc.	9.1x
12/03	Duane Reade Inc.	Oak Hill Capital Partners	9.8x
	Average		10.8x

Note: RAD merger with Walgreens from 2015 was abandoned due to regulatory reasons

Grocery Store Precedent Transactions

Date	Target	Acquirer	EV/ EBITDA
4/19	Smart & Final Holdings Corp. Services Group of	Apollo Global Management, LLC	5.9x
7/18	America Inc.'s food group of companies	US Foods Holding Corp.	8.6x
7/17	Whole Foods Market, Inc.	Amazon.com, Inc.	10.4x
4/17	United Grocers, Inc.	SuperValu Inc.	10.0x
10/16	Save-A-Lot (subsidiary of SuperValu Inc.)	Onex Corp.	6.4x
3/16	The Fresh Market, Inc.	Apollo Global Management, LLC	7.1x
11/15	Roundys, Inc.	The Kroger Co.	7.1x
9/15	Dalhousie Group	Koninklijke Ahold N.V	8.1x
3/14	SaveEasy Inc.	Cerberus Capital, Kimco, Others	5.0x
12/13	Arden Group, Inc.	TPG	10.0x
7/13	Nash Finch Company	Spartan Stores, Inc.	6.7x
7/13	Harris Teeter Supermarkets, Inc.	The Kroger Co.	7.3x
1/13	SuperValu (five retail grocery banners)	Cerberus Capital Management L.P.	4.0x
10/12	Smart & Final Holdings Corp.	Ares Management	7.5x
12/11	Winn-Dixie Stores, Inc.	Lone Star Funds	5.4x
9/11	BJs Wholesale Club, Inc.	CVC Capital Partners, Leonard Green & Partners LP	7.6x
3/07	Pathmark Stores Inc.	The Great Atlantic & Pacific Tea Company	10.0x
2/07	Wild Oats Marketplace	Whole Foods	15.3x
2/07	Smart & Final Inc.	Apollo Global Management, LLC	10.5x
	Average		8.0x

PBM Precedent Transactions

Announce Date	Acquirer	Target	EV/ EBITDA
12/19	United Health	Diplomat	10.2x
3/18	Cigna	Express Scripts	12.6x
3/15	United Health	Catamaran	18.9x
2/15	Rite Aid	EnvisionRx	11.1x
4/12	SXC	Catalyst	23.6x
7/11	Express Scripts	Medco	10.7x
4/09	Express Scripts	NextRx	11.7x
11/08	CVS	Caremark	13.3x
	Average		13.8x

VI. Pitch Example

Company Description – Rite Aid is the 3rd largest retail drugstore in the company. The company operates in two segments: retail pharmacy and pharmacy services. The retail pharmacy segment sells prescription drugs and other merchandise (front-end products) with prescription drugs accounting for ~66% of its revenue. The pharmacy services segment is RAD's EnvisionRX Options which includes EnvisionRX, a traditional PBM as well as EnvisionInsurance, a commercial/Medicare PDP.

Revenue Breakdown



EBITDA Breakdown



Company History:

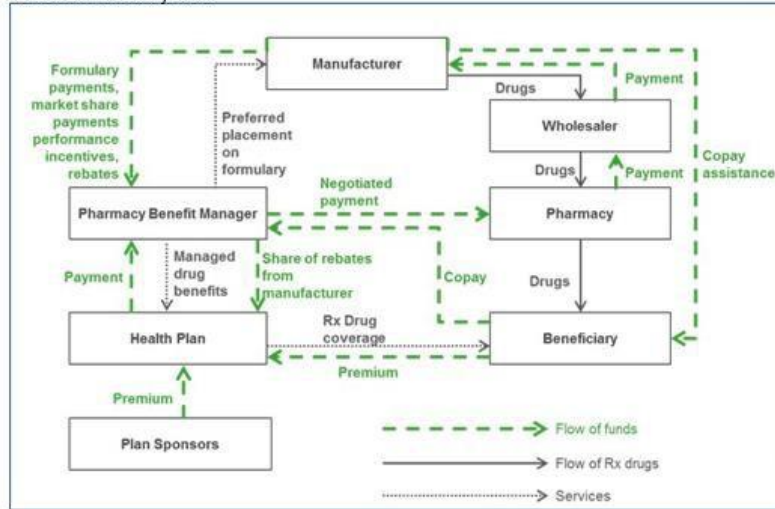
- August 2019 – RAD announces Heyward Donigan will become CEO.
- March 2019 – RAD announced leadership change including replacing John Standley, who was CEO since June 2010. RAD announced that Bryan Everett would become COO, replacing Kermit Crawford, while Matt Schroeder would replace Darren Karst. RAD also announced organizational restructuring that would save ~\$55mn annually.
- August 2018 – RAD announces that it terminated the merger agreement with ABS following investor pushback ahead of the proxy vote. Earlier in the same week, RAD lowered its adjusted EBITDA guidance by ~\$80mn due to lower generic drug efficiencies.
- February 2018 – RAD and ABS announced a plan to merge in a cash & stock merger. RAD shareholders are expected to own 28%-29.6% of the combined company.
- September 2017 – RAD gets regulatory approval to sell 1,932 stores to WBA for \$4.375bn.
- June 2017 – Following pushback from the FTC around regulatory approval, RAD and WBA the termination of its previously announced merger agreement. WBA agreed to acquire 2,186 RAD stores for \$5.175bn. RAD received a \$325mn termination fee related to the failed merger.
- October 2015 – Walgreen Boots Alliance announces acquisition of Rite Aid for \$17.2 billion in all-cash transaction
- February 2015 – RAD announces an agreement to acquire PBM EnvisionRX for ~\$2bn (\$1.8bn in cash and \$200mn in stock).

Management

- CEO: Heyward Donigan – Appointed CEO in August 2019. Was President and CEO of Sapphire Digital, a consumer omnichannel provider. Previously served as CEO of ValueOptions, then the nation's largest independent behavioral health improvement company, and also served as executive vice president & chief marketing officer at Premera Blue Cross.
- COO: Jim Peters – Named COO in October 2019. Was most recently CEO of Skyward Health, a strategic advisory firm. Previously was a 12-year senior executive at Geisinger Health System.
- CFO: Matt Schroeder – Named CFO in March 2019. Worked at RAD since 2000, having served as SVP, chief accounting officer and treasurer.
- Chairman of the Board - Bruce G. Bodaken elevated to Chairman of the Board in 2018 when position was split from CEO. Served as Chairman and CEO of Blue Shield of California from 2000 through 2012

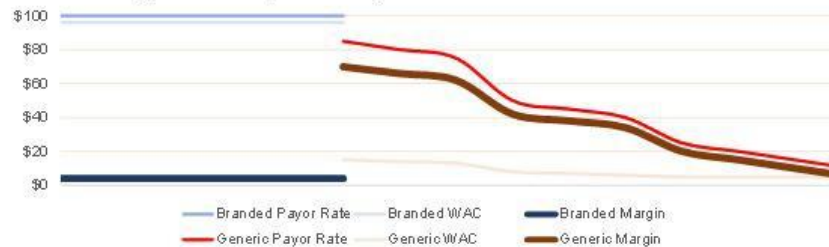
VI. Pitch Example

Pharmaceutical Ecosystem



$$\text{Pharmacy Prescription Revenue} = \text{Dispensing Fee} + \text{Negotiated Payment from PBM or Payor} - \text{Wholesale Acquisition Cost}$$

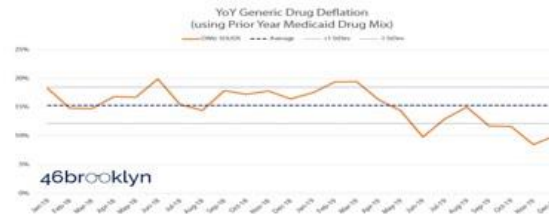
Illustrative Margin Profile Lifecycle of a Drug



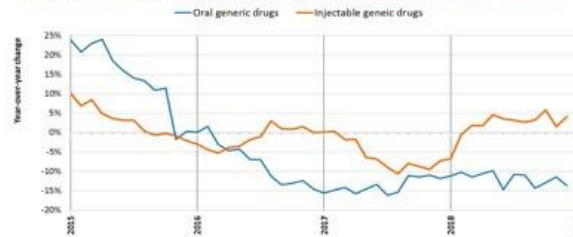
VI. Pitch Example

Generic Drug Outlook:

- **Generic Market** – The key word from many generic drug manufactures has been a normalization or stabilization in the decline of generic drug pricing. Competition has rationalized, manufacturers are discontinuing non-profitable drugs and have pushed back against the big 3 distributors.
- While generics are likely to remain a key focus for the government and approvals likely to remain on record pace, the patent cliff, especially over the next few years is not great. According to an HRI analysis, generic drugs are not likely to impact 46% of the estimated sales revenue of the top 100 drugs through 2023.

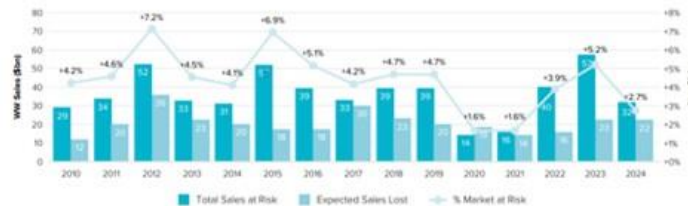


Average Year-Over-Year Change in Pricing of Mature Generic Drugs, 2015 to 2018



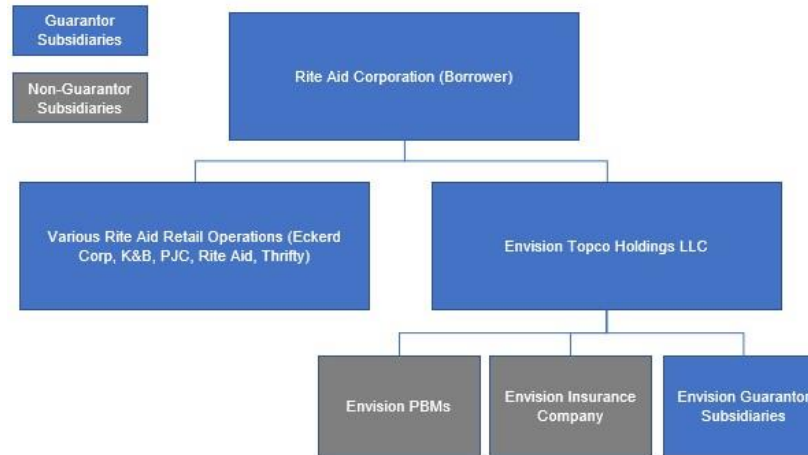
Data show sales weighted Predictive Acquisition Cost (a measure of net cost to pharmacy customers from a distributor) for top 1,000 generic injectable and oral solid drugs. Index includes only products that have been generic for at least 12 months.
 Source: Drug Channels Institute analysis of Amgen-owned Price Auditor
 Published on Drug Channels [www.dci.usgcbio.com] on January 8, 2019.

Figure 2: Worldwide Sales At Risk from Patent Expiration (2010-2024)



Patent Analysis: 'Total Sales at Risk' represents the worldwide product sales in the year prior to patent expiry but allocated to the year of expiry. E.g. Plavix had sales of \$7bn in 2011, this is shown above as 'At Risk' in 2012.

VI. Pitch Example



Covenants:

	2023 Notes
Limitation on Debt	2x FCC; Permitted debt: including debt under credit facilities not to exceed greater of (i) \$3.7bn and 3.25x EBITDA minus \$600mn and (ii) sum of 60% of book value of inventory and 85% of book value of accounts receivables; Refinancing of \$220mn of existing Tranche 1 2LT, Tranche 2 2LT \$500mn), 6.75% Sr Nts due 2021 (\$810mn), and 9.25% Sr Nts due 2020 (\$810mn) General Carveout: \$600mn; Sale & Leaseback debt carveout of the greater of \$350mn and 3.5% of total assets JV Guaranteed Debt not to exceed greater of \$200mn and 2% of total assets Non-Guarantor Subsidiary debt not to exceed \$250mn
Limitation on RP	Subject to 2x FCC; 50% of Cons. Net Income from F1Q14 plus 100% of capital stock sale proceeds plus net proceeds from convertible debt and any conversion of existing debt for capital stock
Permitted Liens	Liens to secure debt under cred facilities not to exceed greater of (i) \$3.7bn and 3.25x EBITDA minus \$600mn and (ii) sum of 60% of book value of inventory and 85% of book value of accounts receivables; and \$220mn Tranche 1 TL; and \$500mn Tranche 2 TL; and general \$600mn carveout.
Change of Control	\$101 Change of Control (unless RAD becomes wholly owned subsidiary of holding company with existing equity holders getting equity and no party owning more than 40% of the combined company.
RP Capacity	
50% of Cons Net Income (from 2014)	1,614
General Carve Out	75
Estimated RP Capacity	1,689

Executive Summary

Recommendation:

- We recommend an OVERWEIGHT position on QVC Inc with upside of 20-40 bps across the curve. We prefer the extension trade from the '25s to the '27s as we believe the 5s/7s curve is too steep.
- We believe the QVC model has shown itself to be resilient to various retail headwinds as it straddles legacy and new retail. The credit benefits from stable top-line results and strong FCF that has kept leverage low.
- QVC bonds are secured and structurally senior to the best assets within Qurate. While Qurate uses QVC's cash flows to both service its debt and return capital to shareholders, the bond's RP covenants provide a structural alignment where Qurate management will need to keep leverage low to maintain access to those cash flows, especially to service its debt.
- Ultimately, we expect the company to be able to stabilize or grow top-line revenue modestly which should comfort bondholders and cause spreads to tighten

QVC/QRTEA Overview	Rating	Price
Debt:		
4.375% Sr. Sec Nts due 2023	Ba2(S)/BB+(N)/BBB-(S)	\$105.63
4.85% Sr. Sec Nts due 2024	Ba2(S)/BB+(N)/BBB-(S)	\$108.25
4.45% Sr. Sec Nts due 2025	Ba2(S)/BB+(N)/BBB-(S)	\$107.00
4.75% Sr. Sec Nts due 2027	Ba2(S)/BB+(N)/BBB-(S)	\$108.00
4.375% Sr. Sec Nts due 2028	Ba2(S)/BB+(N)/BBB-(S)	\$104.75
5.45% Sr. Sec Nts due 2034	Ba2(S)/BB+(N)/BBB-(S)	\$106.00
5.95% Sr. Sec Nts due 2043	Ba2(S)/BB+(N)/BBB-(S)	\$105.00
QRTEA Equity:		
Last Price:	\$11.74	
52-Week Low/High	\$1.51 / \$12.51	
Market Capitalization	\$4,934.0	
Debt	\$8,074.0	
Cash	\$1,044.0	
Enterprise Value	\$11,964.0	
EV/EBITDA	5.9x	
QVC		
Total Debt	\$4,620.0	
Cash	\$574.0	
Net Debt	\$4,046.0	
Gross Leverage	2.3x	
Net Leverage	2.0x	

Cap Table

QVC/QRTE Capital Structure

As of 9/30/20	Coupon	Maturity	Amt Outstanding	Ask Price	YTW	G- Spread	Leverage
QVC Cash on Hand			\$ 574.0				
LTM Adjusted QVC EBITDA			\$ 1,985.0				
Qurate Cash on Hand			\$ 1,044.0				
LTM Adjusted Qurate EBITDA			2,115.0				
QVC Level Debt							
Senior Secured Revolver	L+150	12/31/2023	-				
Senior Secured Notes	4.375%	3/15/2023	750.0	\$105.63	1.72%	156	
Senior Secured Notes	4.850%	4/1/2024	600.0	\$108.25	2.18%	192	
Senior Secured Notes	4.450%	2/15/2025	600.0	\$107.00	2.63%	218	
Senior Secured Notes	4.750%	2/15/2027	575.0	\$108.00	3.29%	259	
Senior Secured Notes	4.375%	9/1/2028	500.0	\$104.75	3.66%	276	
Senior Secured Notes	5.450%	8/15/1934	400.0	\$106.00	4.84%	352	
Senior Secured Notes	5.950%	3/15/2043	300.0	\$105.00	5.55%	383	
Senior Secured Notes	6.375%	9/13/2067	225.0				
Senior Secured Notes	6.250%	11/26/2068	500.0				
Finance Lease Obligation			<u>170.0</u>				
			4,620.0				
						Gross:	2.3x
						Net:	2.0x
Liberty Interactive Level Debt							
Senior Debentures	8.50%	7/15/2029	287.0	\$116.44			
Senior Debentures	8.25%	2/1/2030	504.0	\$116.02			
Exchangeable Senior Debentures	4.00%	11/15/2029	431.0	\$78.13			
Exchangeable Senior Debentures	3.75%	2/15/2030	432.0	\$77.82			
Exchangeable Senior Debentures	3.50%	1/15/2031	218.0	\$92.98			
Exchangeable Senior Debentures	1.75%	9/30/2046	<u>332.0</u>	\$191.28			
			2,204.0				
			6,824.0				
						Gross:	3.4x
						Net:	3.1x
Qurate Level							
Cumulative Perp Preferreds	8.00%	3/15/2031	1,250.0	\$100.00			
Qurate Series A Shares			4,588.2				
Qurate Series B Shares			<u>345.5</u>				
Qurate Market Cap			4,933.7				
QRTE Enterprise Value			12,433.7				5.9x

Overview of Qurate

Direct-To-Consumer Shopping Experiences At Scale



- Retailer and marketer of consumer products through merchandise-focused U.S. televised shopping programs, the Internet, mobile apps and OTT platforms
- Represents combined QVC US and HSN entities
- Key video commerce platforms include:



\$8.3B Revenue
18.6% Adjusted OIBDA margin²
10.6M customers
92M households
57% eCommerce³
67% mobile⁴



International ¹

- Various international channels primarily in Germany, Austria, Japan, the U.K., Ireland, and Italy
- Product sourcing teams select products tailored to the interests of each local market
- Key video commerce platforms include:



\$2.7B Revenue
16.5% Adjusted OIBDA margin²
4.6M customers
124M households
41% eCommerce³
75% mobile⁴



- Leading pure-play online retailer focused on delivering a boutique experience every day
- Operates through flash sales, desktop and mobile websites, as well as mobile applications

\$1.6B Revenue
3.1% Adjusted OIBDA margin²
5.4M customers
74% mobile⁴



Cornerstone Brands, Inc.

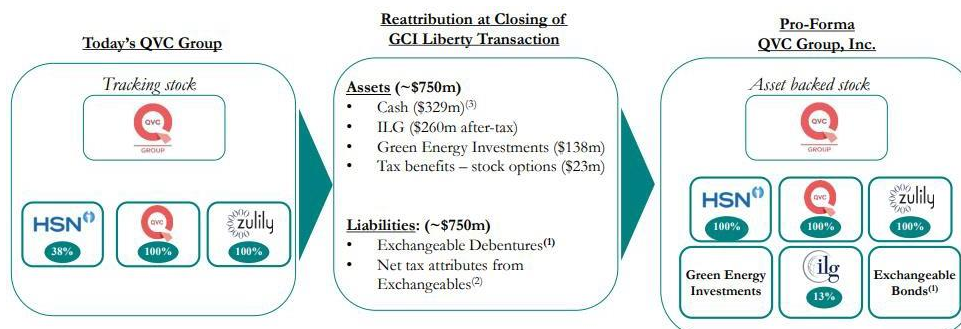
- Consists of a portfolio of aspirational home and apparel brands
- Prominent in the direct marketing and retail space, including catalog distribution and related websites
- The Cornerstone brands include:



\$0.9B Revenue
3.7% Adjusted OIBDA margin²
73% eCommerce³

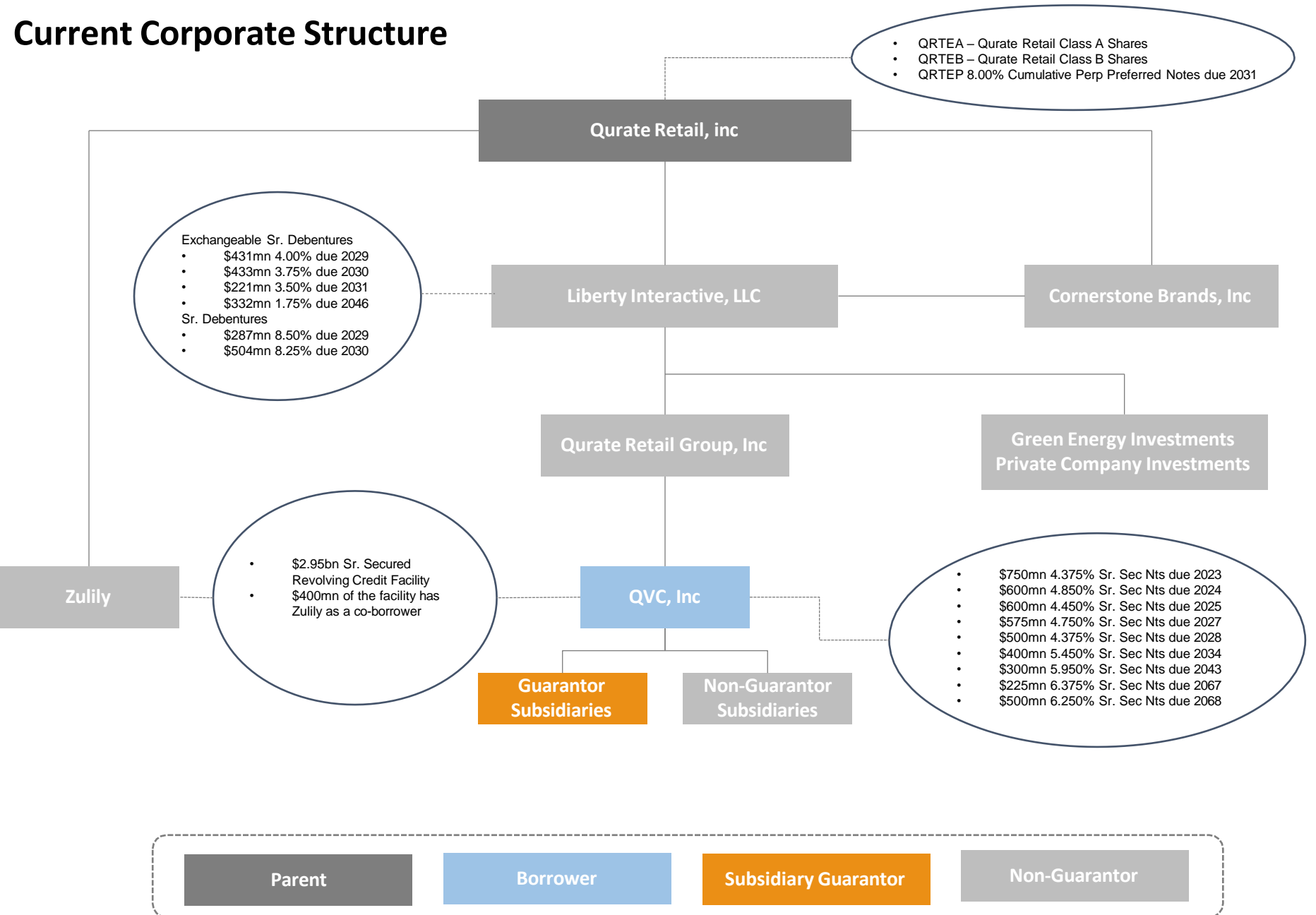
Company History

- QVC is a wholly owned subsidiary of Qurate Retail (fka Liberty Interactive Corporation)
- Qurate Retail was spun-off from Liberty Media Corporation in 2011
- In August 2012, Qurate Retail recapitalized its business including the creation of the Liberty Interactive common stock and Liberty Ventures common stock as tracking stocks
- In October 2015, Qurate Retail acquired Zulily for \$2.3bn
- In May 2016, Qurate Retail made a \$2.4bn investment in Liberty Broadband related to the merger of Charter and Time Warner Cable
- In July 2016, Qurate Retail spun-off its wholly-owned subsidiary, CommerceHub to holders of Liberty Ventures common stock
- In November 2016, Qurate Retail spun off its holdings of Expedia and Bodybuilding.com to shareholders
- In December 2017, Qurate Retail acquired the remaining 62% of HSN in an all-stock transaction and then transferred 100% ownership to QVC
- In March 2018, Liberty Interactive completed a reorganization where Qurate Retail was spun out of Liberty Interactive as an asset stock with the legacy entity consisting of the QVC Group, Zulily, HSN, several green investments, ILG and cash along with the assumption of exchangeable debentures. The other assets such as Liberty Broadband, evite, FTD, LendingTree and GCI were spun-off into another asset backed stock.



- In August 2020, Qurate Retail announced a special dividend consisting of \$1.50 per share (\$633mn) and 0.03 shares of new issued 8% cumulative preferred stock valued at ~\$1.25bn.
- In January 2021, Qurate retail along with Charter and Cerberus announced it would invest \$204mn combined (\$68mn each) into ComScore in exchange for convertible notes.

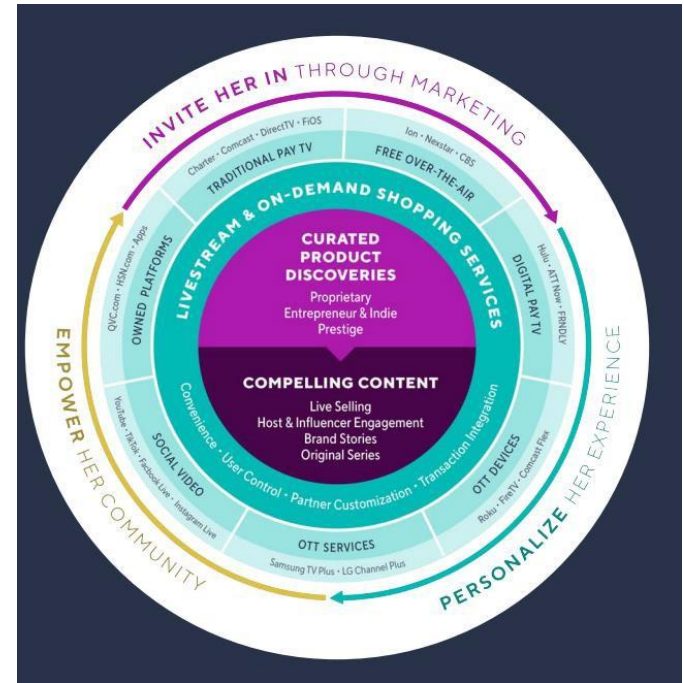
Current Corporate Structure



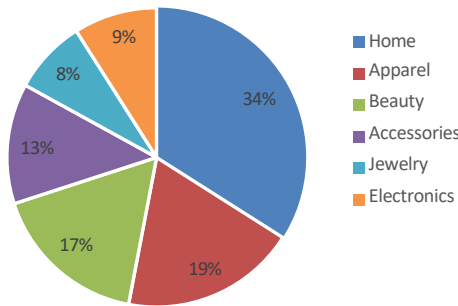
Business Overview



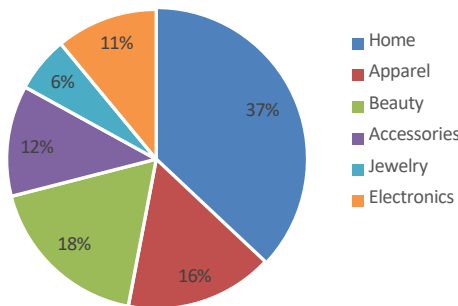
- QVC is a global provider in video retailing, e-commerce and mobile commerce which is distributed to ~216mn households worldwide
- ~93% of its shipped sales are from repeat customers
- In the US, which accounts for ~75% of revenue, the company distributes programming 20 hours per day, 364 days per year.
- The QVC and HSN brands present on average 710 products and 580 products, respectively, every week.
- In 2019, QVC shipped approximately 233 million units globally and served approximately 15.2 million unique customers



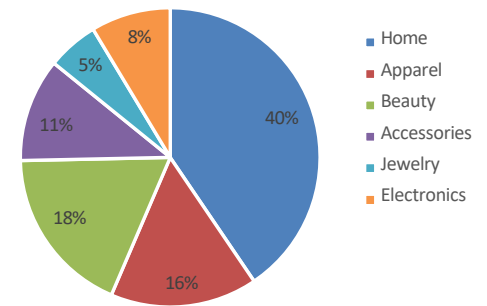
Product Mix 2017



Product Mix 2019



Product Mix YTD 20



Competitive Positioning

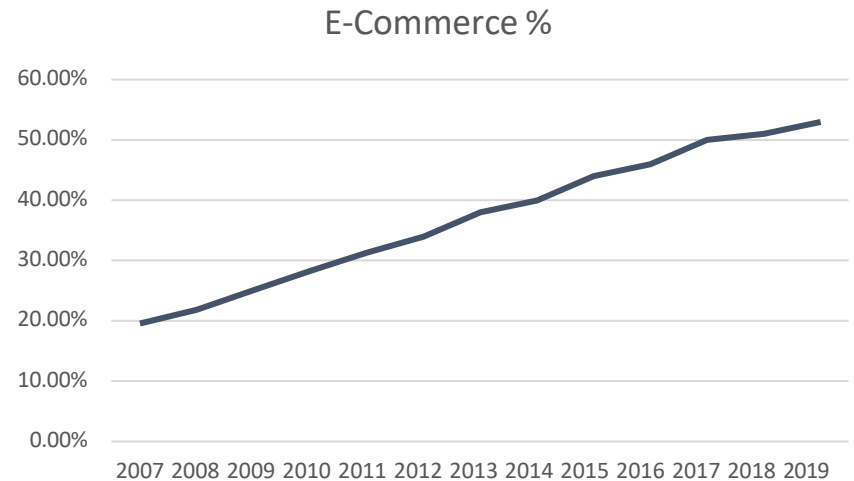
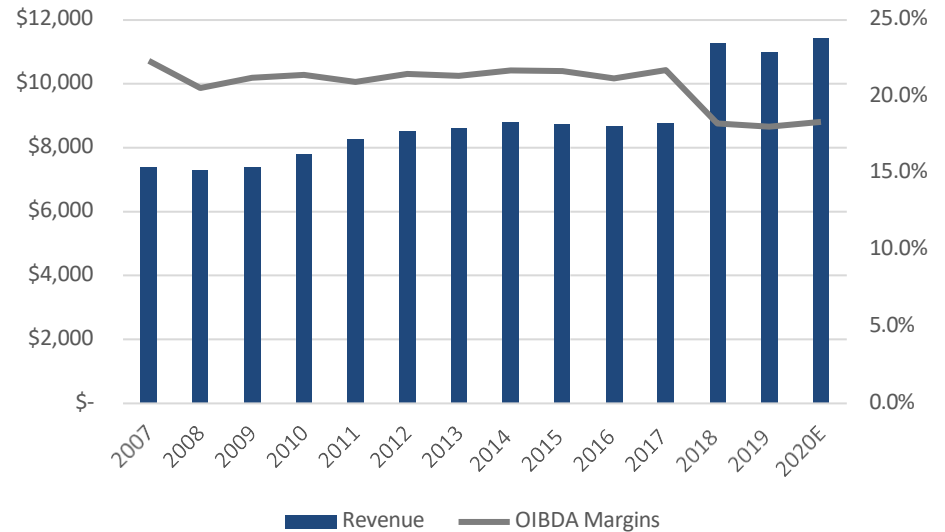
- QVC benefits from its carefully curated products which are often exclusively on QVC.
- The 'First price lowest' strategy reduces promotional activity and the time sensitive nature creates a call to action.
- The constant turnover of QVC's product keeps inventory relatively low (with return to vendor rights) as well as allows QVC to pivot quickly
- The company has strong customer retention which is really highlighted by what the company calls, 'Super Users'
 - 16% of its QVC US users spend an average of \$3,400 per year with a 97% retention rate which would equate to ~\$6bn across almost 1.7mn users
- Cord cutting is a threat to QVC's traditional model but the company has responded by expanding its distribution platform to OTT and online video providers
- QVC's customer profile (35-65 year-old woman, above average income, engaged with family life) also provides several benefits. They are not the core cord-cutters. COVID's economic impacts have largely spared higher income / wealthy households. The shop from home should continue to provide a tailwind, albeit a smaller one. As the economy reopens, I would expect product mix to shift back towards higher margin apparel/jewelry products
- While the company has been able to diversify with it's e-commerce sales, the big threat appears to be price competition and maintaining that 'call to action' while keeping exclusivity on its products.



Distribution Platforms	QxH Penetration ²
Online Video Only	
Over-The-Top Examples: Roku, Apple TV, Fire TV, Comcast Flex, Samsung TV+, Vizio, Pluto TV, Xumo	
Social Video Examples: YouTube, Facebook/FB Live, Instagram/IGTV	90%
Sector Growth Rate: 23% ¹	
vMVPDs	
Examples: AT&T TV Now, Sling, Hulu, YouTube TV, FRNDLY	
Sector Growth Rate: 15% ¹	12%
Over-The-Air (Digital)	
Examples: Ion, Tegna, Nexstar, CBS-DABL	
Sector Growth Rate: 8% ¹	65%
MVPDs	
Examples: Comcast, DirecTV, Charter, Fios	
Sector Growth Rate: (10%) ¹	100%

Recent Performance

- Top line at QVC has been remarkably resilient despite the disruption in other parts of retail. While growth has been modest, QVC has shown an ability to adapt into modern retail
- Additionally, QVC's performance barely dipped during the recession in 2008 and despite some initial fears in 2020, QVC has experienced strong top-line growth in 2020 as users shop from home.
- The company has had some near-term margin headwind dating back to 2018 owing to several factors including: mix-shift to home goods from higher margin apparel and jewelry, higher fulfillment and freight costs, marketing costs, HSN integration and network optimization costs
 - The pandemic further exacerbated some of these issues notably product mix and higher fulfillment costs especially during 1Q. Although worth noting margins expanded in Q3 y/y. The company is still expecting to get synergies out of its HSN merger.
- Growth in e-commerce has been strong from 20% in 2007 to over 50% in 2019 with additional gains in 2020 (double digit growth and penetration of 200 bps). This growth seems to de-risk the business from potential cord-cutting pressures and offset (potentially more than offset) legacy top-line declines.



Credit Strengths

Strong FCF with low leverage

- QVC has had consistent OIBDA which has translated to a strong FCF generation profile that has yielded an average of \$1bn+ over the past 6-years. This OIBDA and FCF profile has allowed QVC to keep leverage down, currently sitting at 2.0x net, below its 2.5x target. FCF to debt of 20%+ is attractive and gives QVC flexibility to pay down debt.

Resilient Retail Operations

- QVC has a unique business model that has proven itself resilient during COVID. The company has actually benefitted from the shift to shopping from home
- The company has been able to shift to e-commerce which now accounts for 50%+ of the business and revenue has been relatively stable over the last 10-years.

Global and Diversified Operator

- QVC benefits from its size, scale and diversification. As the #1 provider in global video commerce and reaching 380mn households (2/3 outside the US), the company has global scale. Additionally, the company does not rely on any one single product, line or even category.

Risks & Mitigants

Retail Headwinds

- QVC is at risk of changing consumer behaviors and threats from online entrants that could undercut its pricing. Despite the shift in other retail segments, QVC has been able to weather competition and has not seen material weakness in results over the last 10-years. Additionally, QVC has grown its e-commerce presence which should alleviate some pressures
- Specific risk to QVC in the retail space includes cord-cutting which reduces the potential households reached.

Historically Shareholder Friendly

- Qurate has historically returned capital to shareholders and used QVC as its funding vehicle. Likely to restart capital returns post-COVID. Company targets 2.5x leverage so will likely increase leverage post-COVID
- However, given Qurate's reliance on QVC to fund operations and the 3.5x RP test, we would expect management to be cautious about running leverage too high and will likely allocate more cash flow to debt paydowns if operations slow down.

Malone & Maffei Leadership

- Given John Malone's voting power and Greg Maffei's leadership, there is some event risk associated with the company and their historical acquisitive nature. Given Qurate is now a separate entity apart from Liberty Media, we believe there is more clarity in this strategy relative to other Liberty Media entities.
- While we think Qurate could be acquisitive and use QVC's cash flow to support an acquisition (that would eventually be consolidated into the QVC box), we would prefer this outcome to shareholder returns.
- It is also worth noting that while Malone and Maffei pose event risk, they usually treat creditors fairly and do not use excessive leverage

Maturity Profile & Liquidity

❑ No maturities at QVC until 2023. Exchangeable maturities at parent company not due until 2029

❑ Strong liquidity including full availability under QVC's revolver

Liquidity at QVC

Cash	574
Revolver Availability	2,930
Total Liquidity	3,504

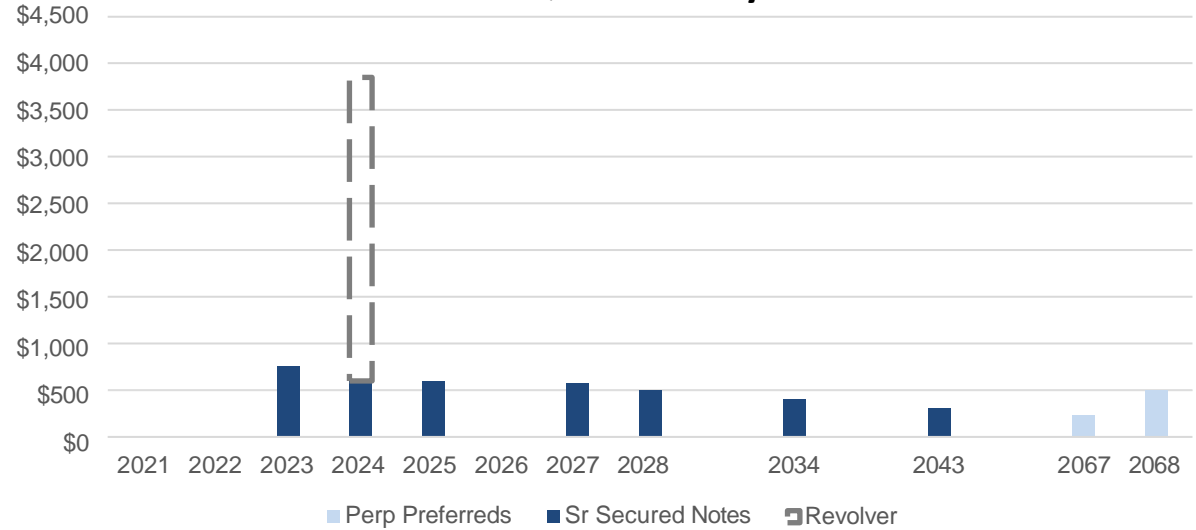
Note: Revolver availability includes \$400mn availability at Zulily

~\$306mn of cash is held at foreign subsidiaries

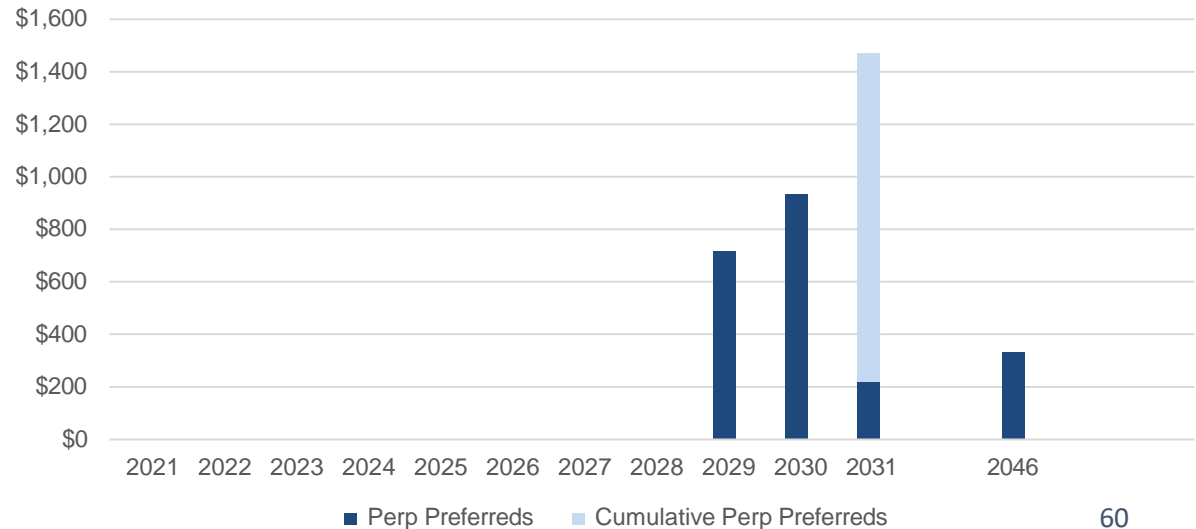
Liquidity at Qurate

Cash	1,044
Revolver Availability	2,930
Total Liquidity	3,974

QVC Maturity Wall



Qurate Maturity Wall

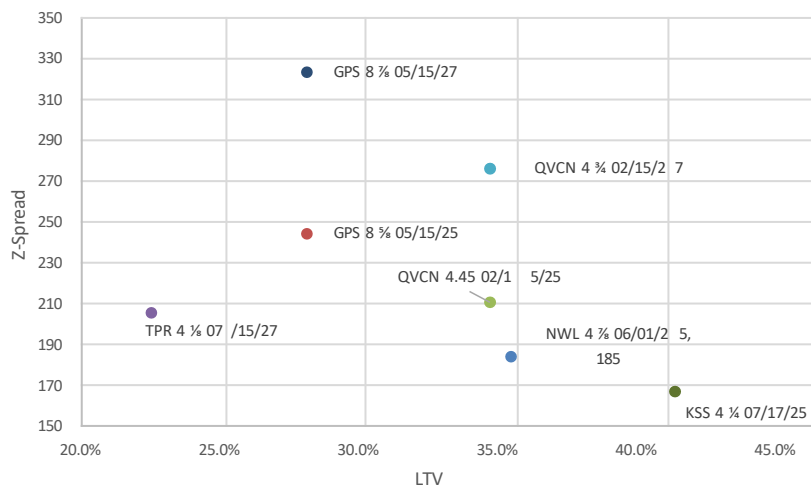


Estimated Financials

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20E	2017	2018	2019	2020E	2021E	2022E	2023E
QxH Revenue	\$2,789	\$1,857	\$1,874	\$1,854	\$2,692	\$1,792	\$2,010	\$1,980	\$6,140	\$8,544	\$8,277	\$8,540	\$8,582	\$8,624	\$8,666
<i>QxH Revenue Growth</i>	-3.6%	-1.4%	-3.9%	-3.5%	-3.5%	7.3%	6.8%	2.5%	0.3%	3.4%	-3.1%	3.2%	0.5%	0.5%	0.5%
QVC International	\$766	\$644	\$640	\$650	\$775	\$635	\$713	\$723	\$2,631	\$2,738	\$2,709	\$2,893	\$2,995	\$3,025	\$3,056
<i>QVC Int'l Growth</i>	-4.7%	-2.4%	1.6%	1.2%	-1.4%	11.4%	11.2%	6.1%	2.7%	4.1%	-1.1%	6.8%	3.5%	1.0%	1.0%
Revenue	\$2,501	\$2,514	\$2,504	\$3,467	\$2,427	\$2,723	\$2,703	\$3,581	\$8,771	\$11,282	\$10,986	\$11,434	\$11,577	\$11,649	\$11,721
<i>Revenue Growth</i>	-3.9%	-1.6%	-2.5%	-2.5%	-3.0%	8.3%	7.9%	3.3%	1.0%	28.6%	-2.6%	4.1%	1.3%	0.6%	0.6%
Adjusted OIBDA	\$453	\$501	\$452	\$576	\$390	\$507	\$512	\$687	\$1,906	\$2,059	\$1,982	\$2,096	\$2,142	\$2,213	\$2,297
Adjusted OIBDA Margins	18.1%	19.9%	18.1%	16.6%	16.1%	18.6%	18.9%	19.2%	21.7%	18.3%	18.0%	18.3%	18.5%	19.0%	19.6%
OIBDA	453	501	452	576	390	507	512	687	1,906	2,059	1,982	2,096	2,142	2,213	2,297
Interest	-61	-60	-61	-58	-65	-64	-65	-65	-214	-243	-240	-259	-251	-251	-234
Taxes	-74	-85	-79	-24	-60	-92	-80	-127	-139	-334	-262	-359	-366	-386	-414
Change in NWC	-49	81	18	-196	38	498	108	-293	32	-284	-146	351	-217	-10	-10
Other	-2	-5	-11	6	7	20	26	0	-383	-42	-12	-509	0	0	0
OCF	267	432	319	304	310	869	501	204	1,202	1,156	1,322	1,322	1,308	1,567	1,639
Capex	-54	-99	-72	-66	-39	-53	-48	-64	-152	-228	-291	-204	-232	-233	-234
FCF	213	333	247	238	271	816	453	139	1,050	928	1,031	1,118	1,076	1,334	1,405
Dividends to Qurate	-354	-115	-229	-181	-122	-140	-583	-150	-866	-367	-879	-995	-1,000	-1,000	-1,000
Post Dividend FCF	-141	218	18	57	149	676	-130	-11	184	561	152	123	76	334	405
Cash & Equivalents	\$439	\$450	\$551	\$561	\$497	\$795	\$574	\$571	\$260	\$543	\$561	\$571	\$647	\$981	\$636
Total Debt	\$5,219	\$5,092	\$5,133	\$5,119	\$4,925	\$4,575	\$4,567	\$4,567	\$5,190	\$5,120	\$5,119	\$4,567	\$4,567	\$4,567	\$3,817
Net Debt	\$4,780	\$4,642	\$4,582	\$4,558	\$4,428	\$3,780	\$3,993	\$3,996	\$4,930	\$4,577	\$4,558	\$3,996	\$3,920	\$3,586	\$3,181
Debt Metrics:															
Gross Leverage	2.56x	2.50x	2.54x	2.58x	2.57x	2.38x	2.30x	2.18x	2.72x	2.49x	2.58x	2.18x	2.13x	2.06x	1.66x
Net Leverage	2.35x	2.28x	2.26x	2.30x	2.31x	1.96x	2.01x	1.91x	2.59x	2.22x	2.30x	1.91x	1.83x	1.62x	1.38x
FCF / Total Debt	4%	7%	5%	5%	6%	18%	10%	3%	20%	18%	20%	24%	24%	29%	37%
Interest Coverage Ratio	8.52x	8.81x	8.36x	8.26x	7.86x	7.76x	7.88x	8.11x	8.91x	8.47x	8.26x	8.11x	8.54x	8.83x	9.81x
(EBITDA-CapEx) / Interest	7.50x	7.48x	7.05x	7.05x	6.73x	6.83x	7.06x	7.32x	8.20x	7.53x	7.05x	7.32x	7.62x	7.90x	8.81x

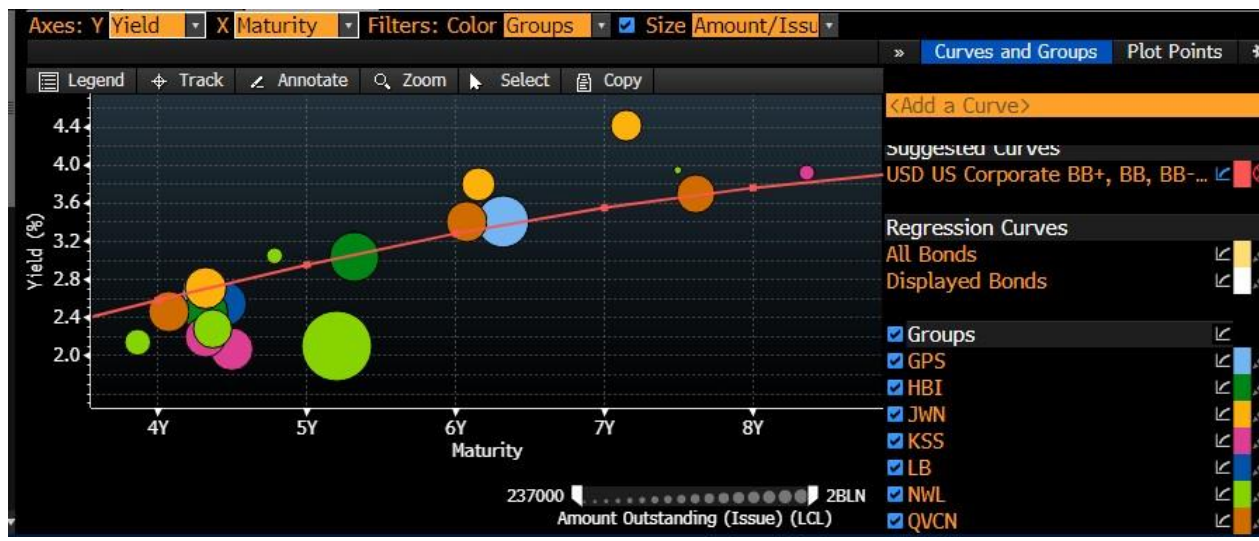
Cases & Valuation

- In our base case, we expect QVC to keep the top line-stable or grow modestly (<1%) while achieving some margin expansion following margin compression over the past two years. We think continued operating improvements could likely lead to an upgrade but not likely in the near-term. That said, we think bonds should trade 20-40 bps tighter and inside of the BB index given their creditworthiness and cash flows.
- In our bull case, QVC would grow top-line 3-5% while seeing margins back to 20%+ historical levels. Some de-leveraging would occur through OIBDA growth although we'd still expect management to run leverage at ~2.5x. But we'd expect at least S&P to upgrade QVC back to BBB-. An upgrade should cause QVC to trade back in-line with IG peers (such as EXPE) implying 50-100 bps of upside throughout the curve.
- In our bear case, QVC would see 3-5% declines with margins remaining depressed. While we think management would keep leverage relatively low and its cash flow profile would allow it to do so, top and bottom line degradation would remove any chance of an upgrade to IG. In this scenario, we'd expect the bonds to trade down to similar levels to trouble retailers such as MIK and M, implying 150-250 bps of downside.



		Revenue CAGR					
		-20%	-15%	-10%	-5%	0%	5%
EBITDA Margins	20.0%	3.2x	3.1x	2.4x	1.8x	1.3x	0.9x
	17.5%	4.1x	3.1x	3.1x	2.4x	1.8x	1.4x
	15.0%	4.2x	3.2x	3.2x	3.2x	2.5x	2.0x
	12.5%	5.6x	4.3x	3.4x	3.5x	3.5x	2.8x
	10.0%	6.0x	4.7x	3.7x	3.9x	3.1x	3.3x
	7.5%	8.9x	7.1x	5.8x	4.7x	3.8x	4.1x
	5.0%	14.8x	12.1x	9.9x	8.2x	6.8x	5.7x

Bond Performance



Relative Value Analysis

Security	Price	Yield	Z-Spread	Maturity	Net Debt / EBITDA	EV/EBITDA	LTV	Spread per Turn of Leverage
QVCN 4% 03/15/23	105.19	1.90	169	2.2	2.0x	5.9x	34.7%	83
QVCN 4.85 04/01/24	108.10	2.21	192	3.2	2.0x	5.9x	34.7%	94
QVCN 4.45 02/15/25	107.18	2.47	211	4.1	2.0x	5.9x	34.7%	104
QVCN 4% 02/15/27	107.19	3.38	277	6.1	2.0x	5.9x	34.7%	136
QVCN 4% 09/01/28	104.58	3.66	286	7.6	2.0x	5.9x	34.7%	140
QVCN 5.45 08/15/34	106.20	4.81	361	13.6	2.0x	5.9x	34.7%	177
QVCN 5.95 03/15/43	104.27	5.61	423	22.2	2.0x	5.9x	34.7%	207
GPS 8% 05/15/23	114.16	2.08	186	2.3	1.6x	5.7x	28.1%	116
GPS 8% 05/15/25	111.86	2.64	245	4.3	1.6x	5.7x	28.1%	153
GPS 8% 05/15/27	116.05	3.46	324	6.3	1.6x	5.7x	28.1%	202
TPR 4% 04/01/25	108.48	2.00	163	4.2	2.0x	8.9x	22.5%	82
TPR 4% 07/15/27	107.95	2.73	206	6.5	2.0x	8.9x	22.5%	103
NWL 3.65 04/01/21	99.83	4.50	431	0.2	3.8x	10.6x	35.4%	114
NWL 3.85 04/01/23	105.45	1.61	140	2.2	3.8x	10.6x	35.4%	37
NWL 4 12/01/24	106.13	2.23	189	3.9	3.8x	10.6x	35.4%	50
NWL 4% 06/01/25	110.62	2.26	185	4.4	3.8x	10.6x	35.4%	49
NWL 4.2 04/01/26	111.80	2.17	167	5.2	3.8x	10.6x	35.4%	44
JWN 8% 05/15/25	112.19	2.56	237	4.3	4.3x	9.7x	44.4%	55
JWN 4 03/15/27	100.69	3.87	324	6.2	4.3x	9.7x	44.4%	75
JWN 4% 04/01/30	100.45	4.31	336	9.2	4.3x	9.7x	44.4%	78
KSS 3% 02/01/23	103.48	1.27	107	2.0	2.9x	7.1x	41.3%	36
KSS 4% 12/15/23	108.20	1.58	134	2.9	2.9x	7.1x	41.3%	46
KSS 9% 05/15/25	129.53	2.16	177	4.3	2.9x	7.1x	41.3%	60
KSS 4% 07/17/25	108.75	2.08	167	4.5	2.9x	7.1x	41.3%	57
EBAY 3.6 06/05/27	113.74	1.26	60	6.4	1.1x	12.1x	9.4%	53
EBAY 2.7 03/11/30	107.47	1.79	81	9.1	1.1x	12.1x	9.4%	71
EXPE 2% 06/03/22	102.32	0.40	94	1.4	5.7x	20.9x	27.5%	16
EXPE 3.6 12/15/23	106.66	1.19	95	2.9	5.7x	20.9x	27.5%	17
EXPE 4% 08/15/24	109.26	1.62	133	3.6	5.7x	20.9x	27.5%	23
EXPE 7 05/01/25	109.74	1.96	178	4.3	5.7x	20.9x	27.5%	31
EXPE 6% 05/01/25	116.09	2.07	169	4.3	5.7x	20.9x	27.5%	29
EXPE 5 02/15/26	112.12	2.33	185	5.1	5.7x	20.9x	27.5%	32
EXPE 4% 08/01/27	111.81	2.58	191	6.5	5.7x	20.9x	27.5%	33
EXPE 3.8 02/15/28	107.09	2.66	192	7.1	5.7x	20.9x	27.5%	33
EXPE 3% 02/15/30	103.04	2.86	191	9.1	5.7x	20.9x	27.5%	33
MTCHII 5 12/15/27	106.10	2.96	277	6.9	4.0x	55.6x	7.2%	69
MTCHII 4% 06/01/28	104.80	3.43	314	7.4	4.0x	55.6x	7.2%	79
MTCHII 5% 02/15/29	108.83	3.44	318	8.1	4.0x	55.6x	7.2%	80
MTCHII 4% 08/01/30	103.61	3.56	277	9.5	4.0x	55.6x	7.2%	69
ICE BofA US High Yield Index		3.68	372					
ICE BofA US High Yield Index BB		3.34	270					
ICE BofA US Corporate Index		1.85	99					
ICE BofA US Corporate Index BBB		2.11	124					
ICE BofA US Corporate Index Retail		1.76	78					

Equity Valuation

While there are no real true comps for QVC or Qurate retail, the 6x EV/EBITDA multiple appears to be at the low-end of other catalog and TV based retailers as well as e-commerce or even traditional brick & mortar retailers.

Announcement Date	Acquiror	Target	EV/LTM EBITDA
Dec-10	Leonard Green & Partners, L.P.	Jo-Ann Stores, Inc.	7.3x
May-12	Ascena Retail Group, Inc.	Charming Shoppes Inc.	9.9x
May-12	Bed Bath & Beyond Inc.	Cost Plus Inc.	12.7x
Nov-12	Berkshire Hathaway Inc.	Oriental Trading Company, Inc.	7.1x
Nov-12	Leon's Furniture Limited	The Brick Ltd.	7.1x
Feb-13	Office Depot, Inc.	Office Max Incorporated	12.2x
Jul-13	Hudson's Bay Company	Saks Incorporated	10.8x
Sep-13	Ares Management LLC and CPPIB	Neiman Marcus Group, Inc.	9.4x
Dec-13	Sycamore Partners	The Jones Group Inc.	8.6x
Feb-14	Signet Jewelers Limited	Zale Corporation	15.6x
Sep-14	Capmark Financial Group Inc.	Bluestem Brands, Inc.	6.3x
Dec-14	Buyer Group led by BC Partners, Inc.	PetSmart, Inc.	9.1x
May-15	Ascena Retail Group, Inc.	ANN INC.	8.6x
Aug-15	Qurate Retail	Zulily	29.6x
Aug-15	Sycamore Partners	Belk, Inc.	6.2x
Nov-15	CVC Capital Partners and CPPIB	PETCO Animal Supplies, Inc.	9.4x
Feb-16	Lowe's Companies, Inc.	RONA, INC.	12.1x
Oct-16	Bass Pro Group, LLC	Cabela's Incorporated	11.8x
May-17	Coach, Inc.	Kate Spade & Company	10.4x
Jun-17	Sycamore Partners	Staples, Inc.	5.1x
Jun-19	InEight Enterprises	PCM Inc	9.2x
		Average	10.4x
		Median	9.4x

Catalog & TV Based Retailers	Market Cap	Enterprise Value	LTM Revenue	LTM Revenue Growth	LTM EBITDA	EBITDA Margin	LTM EPS	EV/Revenue	EV/EBITDA	P/E
Qurate Retail, Inc.	\$4,934	\$12,434	\$13,898	1.7%	\$2,076.0	14.9%	\$2.03	0.9x	6.0x	5.8x
Mango Excellent Media Co Ltd	\$22,697	\$22,078	\$1,962	25.9%	\$706.8	36.0%	\$0.14	11.3x	31.2x	81.6x
momo.com Inc	\$4,056	\$3,960	\$2,272	-3.4%	\$506.1	22.3%	\$1.63	1.7x	7.8x	68.0x
Oriental Pearl Group Co Ltd	\$31,140	\$18,506	\$11,436	-11.4%	\$2,485.3	21.7%	\$0.36	1.6x	7.4x	15.2x
Belluna Co Ltd	\$1,093.0	\$1,618.0	\$1,715.0	2.1%	\$138.0	8.0%	\$0.74	0.9x	11.7x	15.9x
GS Home Shopping Inc	\$918.8	\$304.0	\$1,257.6	5.0%	\$157.6	12.5%	\$16.51	0.2x	1.9x	7.1x
Hyundai Home Shopping Network Corp	\$958.8	\$651.2	\$2,263.3	19.5%	\$219.6	9.7%	\$6.58	0.3x	3.0x	11.0x
					Average	17.9%		2.4x	9.9x	29.2x
					Median	14.9%		0.9x	7.4x	15.2x

E-Commerce	Market Cap	Enterprise Value	LTM Revenue	LTM Revenue Growth	LTM EBITDA	EBITDA Margin	LTM EPS	EV/Revenue	EV/EBITDA	P/E
EBAY	\$39,279.0	\$43,362.0	\$10,666.0	8.9%	\$3,591.0	33.7%	\$3.25	4.1x	12.1x	17.5x
Groupon	\$1,003.0	\$784.0	\$1,686.1	-29.9%	NM	NM	NM	0.5x	NM	NM
Vipshop Holdings Ltd	\$20,076.0	\$18,714.0	\$13,620.0	4.3%	\$1,005.0	7.4%	\$0.97	1.4x	18.6x	28.1x
					Average	20.5%		2.0x	15.3x	22.8x
					Median	20.5%		1.4x	15.3x	22.8x

Retailers	Market Cap	Enterprise Value	LTM Revenue	LTM Revenue Growth	LTM EBITDA	EBITDA Margin	LTM EPS	EV/Revenue	EV/EBITDA	P/E
Bed Bath & Beyond	\$3,034.0	\$4,686.0	\$9,721.0	-14.4%	\$833.3	8.6%	NM	0.5x	5.6x	NM
Nordstrom	\$5,715.0	\$10,287.0	\$11,608.0	-25.0%	\$490.0	4.2%	NM	0.9x	21.0x	NM
Dillard's	\$1,521.0	\$2,082.0	\$4,786.0	-25.6%	\$111.5	2.3%	NM	0.4x	18.7x	NM
Macy's	\$3,909.0	\$11,012.0	\$19,636.0	-22.8%	\$392.0	2.0%	NM	0.6x	28.1x	NM
					Average	4.3%		0.6x	18.3x	
					Median	3.3%		0.5x	19.8x	

Management



GREGORY B. MAFFEI, Chairman

- Serves as Chairman of Qurate Retail which owns QVC, HSN, Zulily and the Cornerstone Brands.
- Also President & CEO of Liberty Media Corporation and serves as Chairman of other Liberty related companies Live Nation, SiriusXM and Trip Advisor



MICHAEL A. GEORGE, President & CEO of Qurate Retail and QVC

- Named President and CEO of Qurate Retail in 2018
- Has served as President and CEO of QVC since 2004



Jeffrey A. Davis, CFO of Qurate Retail and QVC

- Joined as CFO of Qurate Retail and QVC in October 2018
- Previously served as EVP and CFO of J. C. Penney Company.
- Served as CFO of Darden Restaurants before J.C. Penney. Also worked at Walmart and served as CFO of Walmart US



John C. Malone, Director and Former Chairman of the Board

- Chairman of the Board of Liberty Media Corporation, Liberty Broadband Corporation and Liberty Global plc
- As of 12/31/20, Mr. Malone owned 94% of Qurate's class B shares, representing 41% of the company's voting power

Top Holders

Top Holders

QRTEA Top Holders			
Rank	Holder Name	Position	% Outstanding
1	Dodge & Cox	61.31	15.81%
2	Vanguard Group	33.88	8.74%
3	Ameriprise Financial	19.18	4.95%
4	FPR Partners	17.03	4.39%
5	BlackRock	16.02	4.13%
6	ClearBridge	13.93	3.59%
7	Dimensional Fund Advisors	13.73	3.54%
8	Harris Associates	13.33	3.44%
9	Lyrical Asset Management	12.85	3.31%
10	AQR Capital Management	7.67	1.98%

QRTEB Top Holders			
Rank	Holder Name	Position	% Outstanding
1	John C Malone	27.66	94.14%
2	Gregory Maffei	0.68	2.30%
3	Jupiter Fund	0.61	2.06%
4	Alexandria Capital	0.02	0.07%
5	CSS	0.02	0.05%
6	Fifth Third Bancorp	0.01	0.02%
7	Glenmede Trust	0.00	0.01%
8	Pennsylvania Trust	0.00	0.00%
9	UBS	0.00	0.00%
10	FMR	0.00	0.00%

QVC Bond Holders (ex. Preferreds)			
Rank	Holder Name	Position	% Outstanding
1	BlackRock	\$206.47	5.54%
2	Allianz/PIMCO	\$178.02	4.78%
3	T. Rowe Price	\$55.44	1.49%
4	Manulife	\$50.09	1.34%
5	New York Life	\$48.78	1.31%
6	Northwestern Mutual	\$45.50	1.22%
7	Principal Financial Group	\$43.01	1.15%
8	Credit Agricole	\$37.45	1.01%
9	Allstate	\$33.25	0.89%
10	Fidelity National Financial	\$33.06	0.89%

Rating Agency Commentary

Moody's

QVC: Ba2 / Stable
Qurate: Ba3 / Stable

- Moody's affirmed Liberty Interactive's Ba3 CFR in April 2020 and QVC's Ba2 rating but moved the outlook to Stable from Positive, anticipating a weakness in consumer demand and changing purchasing patterns. Moody's adjusted leverage of 4.3x
- Upgrade Scenario – Positive sales and operating performance while maintaining a conservative financial strategy. Upgrade if debt/EBITDA was sustained below 4.25x
- Downgrade Scenario – Liquidity weakens, asset composition or financial strategy meaningfully changes, or operating performance deteriorates leading to leverage above 5.25x

S&P

QVC: BB+ / Negative
Qurate: BB- / Negative

- Downgraded Qurate to BB- in April 2020 and lowered QVC's secured debt rating to BB+ from BBB-, left company on negative outlook expecting prolonged decline in consumer spending and intensified competition. Expected revenue decline in 2020 and leverage above 5x
- Upside Scenario – Could move to stable if it sees path to health sales and profit growth with leverage less than 5x. Upgrade to BBB- likely requires to get back to below 4x threshold
- Downside Scenario – Could be further downgraded if leverage expected to remain above 5x in 2021 or unable to obtain credit waiver amendment. Could also downgrade if competitive standing weakens

Fitch

QVC: BBB- / Stable
Qurate: BB / Stable

- In March 2020, affirmed Qurate's BB rating and QVC's BBB- rating (2 notches higher) and revised the outlook to stable from positive with expectation for near-term declining revenues
- Upgrade criteria – Sustained operating improvement including revenue growth and EBITDA margin improvement with QVC's debt to EBITDA remaining below 2.5x and Liberty's lease adjusted debt to EBITDA ~3.5x or more conservative leverage targets
- Downgrade criteria – Unexpected revenue declines in excess of 10% that lead to EBITDA and FCF declines and QVC's leverage exceeding 2.5x with Liberty's lease adjusted leverage over 3.5x.

Covenants

	4.375% Sr. Sec Nts due 2023	4.85% Sr. Sec Nts due 2024	4.45% Sr. Sec Nts due 2025	4.75% Sr. Sec Nts due 2027	4.375% Sr. Sec Nts due 2028
Permitted Debt	Subject to 2.0 FCC coverage ratio; Not to exceed \$5bn (incl. credit facility and notes issued); \$100mn purchase money carveout; Non-guarantor subsidiary debt not to exceed \$425mn; Restricted subsidiary not to exceed \$250mn	Subject to 2.0 FCC coverage ratio; Not to exceed \$5bn (incl. credit facility and notes issued); \$100mn purchase money carveout; Non-guarantor subsidiary debt not to exceed \$425mn; Restricted subsidiary not to exceed \$250mn	Subject to 2.0 FCC coverage ratio; Not to exceed \$5bn (incl. credit facility and notes issued); \$100mn purchase money carveout; Non-guarantor subsidiary debt not to exceed \$425mn; Restricted subsidiary not to exceed \$250mn	Subject to 2.0 FCC coverage ratio; Not to exceed \$5bn (incl. credit facility and notes issued); \$100mn purchase money carveout; Non-guarantor subsidiary debt not to exceed \$425mn; Restricted subsidiary not to exceed \$250mn	Subject to 2.0 FCC coverage ratio; Not to exceed \$5bn (incl. credit facility and notes issued); \$100mn purchase money carveout; Non-guarantor subsidiary debt not to exceed \$425mn; Restricted subsidiary not to exceed \$250mn
Limitation on Restricted Payments	Subject to Consolidated Leverage Ratio Test (3.5x); \$25mn per year carveout for employee share buybacks; General \$50mn carveout	Subject to Consolidated Leverage Ratio Test (3.5x); \$25mn per year carveout for employee share buybacks; General \$50mn carveout	Subject to Consolidated Leverage Ratio Test (3.5x); \$25mn per year carveout for employee share buybacks; General \$50mn carveout	Subject to Consolidated Leverage Ratio Test (3.5x); \$25mn per year carveout for employee share buybacks; General \$50mn carveout	Subject to Consolidated Leverage Ratio Test (3.5x); \$25mn per year carveout for employee share buybacks; General \$50mn carveout
Limitation on Asset Sales	Subject to 3.5x consolidated leverage ratio test following asset sale and subsequent use of proceeds; Carveout if leverage is below 2.5x	Subject to 3.5x consolidated leverage ratio test following asset sale and subsequent use of proceeds	Subject to 3.5x consolidated leverage ratio test following asset sale and subsequent use of proceeds	Subject to 3.5x consolidated leverage ratio test following asset sale and subsequent use of proceeds	Subject to 3.5x consolidated leverage ratio test following asset sale and subsequent use of proceeds
Limitation on Liens	Secured debt (equal and ratable or junior) not to exceed \$5bn; \$150mn restricted subsidiary carveout	Secured debt (equal and ratable or junior) not to exceed \$5bn; \$150mn restricted subsidiary carveout	Secured debt (equal and ratable or junior) not to exceed \$5bn; \$150mn restricted subsidiary carveout	Secured debt (equal and ratable or junior) not to exceed \$5bn; \$150mn restricted subsidiary carveout	Secured debt (equal and ratable or junior) not to exceed \$5bn; \$150mn restricted subsidiary carveout
Permitted Investments	\$100mn general carveout	\$100mn general carveout	\$100mn general carveout	\$100mn general carveout	\$100mn general carveout
Change of Control	\$101 CoC with Below IG rating event; CoC defined as more than 30% of voting power ((a) Qurate Retail, (b) John C. Malone, (c) Greg Maffei, (d) each of the respective Affiliated Persons) by non permitted holder AND acquiror does not have IG ratings or ratings equal to or better than Qurate; Below IG rating event means notes are rated below IG by agencies (just S&P and Moody's) within 60 days of announced transaction	\$101 CoC with Below IG rating event; CoC defined as more than 30% of voting power ((a) Qurate Retail, (b) John C. Malone, (c) Greg Maffei, (d) each of the respective Affiliated Persons) by non permitted holder AND acquiror does not have IG ratings or ratings equal to or better than Qurate; Below IG rating event means notes are rated below IG by agencies (just S&P and Moody's) within 60 days of announced transaction	\$101 CoC with Below IG rating event; CoC defined as more than 30% of voting power ((a) Qurate Retail, (b) John C. Malone, (c) Greg Maffei, (d) each of the respective Affiliated Persons) by non permitted holder AND acquiror does not have IG ratings or ratings equal to or better than Qurate; Below IG rating event means notes are rated below IG by agencies (just S&P and Moody's) within 60 days of announced transaction	\$101 CoC with Below IG rating event; CoC defined as more than 30% of voting power ((a) Qurate Retail, (b) John C. Malone, (c) Greg Maffei, (d) each of the respective Affiliated Persons) by non permitted holder AND acquiror does not have IG ratings or ratings equal to or better than Qurate; Below IG rating event means notes are rated below IG by agencies (just S&P and Moody's) within 60 days of announced transaction	\$101 CoC with Below IG rating event; CoC defined as more than 30% of voting power ((a) Qurate Retail, (b) John C. Malone, (c) Greg Maffei, (d) each of the respective Affiliated Persons) by non permitted holder AND acquiror does not have IG ratings or ratings equal to or better than Qurate; Below IG rating event means notes are rated below IG by agencies (just S&P and Moody's) within 60 days of announced transaction

Note: Secured revolving facility has 3.5x maintenance covenant test

IIC

Credit IIC: Wednesday, Nov. 9 (7:00PM – Kravis 840)

Pitches due: Nov. 7 by 11:59PM

Format: 5min pitch, followed by 5-10min Q&A & feedback Maximum length 3 pages
(plus maximum of 3 additional pages of exhibits)

Rules / Tips: Limited to credit investments

Try to stick to a long position within high yield (or stressed/distressed)
corporates

Need to have upside

RSVP to Scott, Blake, and Spencer by Friday, October 28th if you plan on
participating:

Blake Gilbert: bgilbert23@gsb.columbia.edu

Scott Hall: shall23@gsb.columbia.edu

Spencer Goldman: sgoldman24@gsb.columbia.edu

Q&A