



# CREDIT RATING REPORT

APRIL 2016

## CALKAIN COMPANIES

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## RATED TENANTS

TENANT	STOCK SYMBOL	S&P	S&P OUTLOOK	MOODY'S	MOODY'S OUTLOOK
<b>C-STORES</b>					
7-Eleven (Seven-Eleven Japan Co.)	SE	AA-	Stable	Baa1	Stable
Circle K / Kangaroo (Alimentation Couche-Tard)	ANCUF	BBB	Positive	Baa2	Stable
Shell Oil	SHOI	A+	Negative	Aa2	Under Review (Possible Downgrade)
<b>AUTOMOTIVE</b>					
Advance Auto	AAP	BBB-	Stable	Baa2	Under Review (Possible Upgrade)
AutoZone	AZO	BBB	Stable	Baa1	Under Review (Possible Upgrade)
O'Reilly Auto Parts	ORLY	BBB+	Stable	Baa1	Under Review (Possible Upgrade)
Pep Boys (Icahn Enterprises)	IEP	BBB-	Negative	Ba3	Stable
<b>CASUAL DINING</b>					
Carrabbas (Bloomin' Brands)	BLMN	BB	Stable	NR	NR
Chili's (Brinker International)	EAT	BBB-	Stable	Baa3	Under Review (Possible Upgrade)
Darden Restaurants	DRI	BBB-	Stable	Ba1	Positive
<b>QSR</b>					
Burger King (Restaurant Brands International, Inc.)	QSR	B+	Stable	NR	NR
Dairy Queen (Berkshire Hathaway)	BRK.A	AA	Stable	Aa2	Stable
McDonald's	MCD	BBB+	Stable	Baa1	Under Review (Possible Downgrade)
Starbucks	SBUX	A-	Stable	A2	Under Review (Possible Upgrade)
Taco Bell (Yum! Brands, Inc.)	YUM	BB	Stable	Ba3	Negative
Wendy's	WEN	B	Stable	B2	Stable
<b>BANKS*</b>					
Bank of America	BAC	A	Positive	A1	Stable
BankUnited	BKU	NR	NR	Ba1	Stable
BB&T Bank	BBT	A-	Stable	A2	Stable
Chase Bank	JPM	A+	Stable	A3	Stable
SunTrust	STI	A-	Stable	Baa1	Stable
TD Bank	TD	AA-	Stable	Aa1	Stable
PNC Bank	PNC	A	Stable	A2	Stable

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

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

\*NR = Not Rated by the rating agency.

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

## UNRATED TENANTS

### LISTED

TENANT	STOCK SYMBOL	STORE COUNT	FOUNDED	NET INCOME (MILLIONS)	MARKET CAP (BILLIONS)	NOTES
Aaron's	AAN	2,136	1955	\$78.20	\$2.09	Aaron's introduced their e-commerce platform in 2015 aimed towards increasing their core business
Applebee's / IHOP (owned by DineEquity)	DIN	3,600	2008	\$103.52	\$1.75	Shares of the parent company of Applebee's and IHOP dropped 18% by end of 2015
Bank United	BKU	105	1984	\$204.20	\$3.42	Earlier this year, the bank stopped making retail mortgage loans and laid off workers
Bojangles'	BOJA	600	1977	\$26.59	\$0.63	After going public last May, the shares tumbled and are slowing increasing this year
Chipotle	CMG	2,000	1993	\$475.60	\$15.49	After a foodborne illness crisis Chipotle is still having trouble getting all their customers back
Dunkin' Donuts	DNKN	11,300	1950	\$105.23	\$4.26	Announced plans to open 29 new restaurants in California
Fred's Super Dollar	FRED	683	1947	(\$26.01)	(\$1.94)	Planning to close stores for higher profitability. Along with other dollar stores, has taken market share from large discount retailers.
Napa Auto Parts (owned by Genuine Auto Parts)	GPC	6,000	1925	\$705.67	\$14.43	Distributors of auto parts. Recent acquisitions led to one automotive and two industrial segments
Pier 1 Imports	PIR	1,000	1962	\$107.50	\$1.20	Scheduled to close 100 stores over the course of next two years
Tractor Supply Co.	TSCO	1,500	1938	\$410.39	\$11.92	Tractor Supply opened a total of 114 stores in 2015 and expects to open between 115 and 120 new stores in 2016

### UNLISTED

TENANT	NET INCOME	STORE COUNT	FOUNDED	NOTES
Affordable Care		220	1975	Operates under retail name Affordable Dentures and entered into an agreement with a Boston investment firm to take a majority interest
Aldi	\$7.9B in revenues in 2013	1,400	1948	Owned by a German company who also owns Trader Joe's. Aims for 2,000 new stores in the USA by 2020.
Aldo	\$1.8M in revenue in 2013	1,750	1972	Canadian company who owns multiple shoe brands and distribution channels
Arby's	\$3.5B in sales in 2015	3,342	1964	Owned by private equity firm Roark Capital Group
Ashley Furniture	\$3.85B in revenues in 2014	500	1945	Privately owned by a father and son team
Aspen Dental	\$645M in annual revenues	450	1964	Owned by private equity company Leonard Green & Partners
Cellular Sales of Knoxville	\$703M+ in annual revenue	550	1993	One of the fastest growing retail companies in America
Chick-fil-A	\$5.8B in revenue	1,800	1946	Has the highest sales per location of any QSR restaurant
Giant Eagle	\$9.9B in annual sales	421	1931	Privately owned and largest supermarket chain in Western Pennsylvania
Hobby Lobby	\$3B in annual sales	600	1972	One-stop-shop for craft supplies
Imagine School		71	1981	Operates charter schools
Petco	\$4B in revenues	1,400	1965	Purchased by a pair of overseas investing entities for \$4.6 billion early 2016
P.F. Chang's	\$881M in sales in 2014	204	1993	Owned by investment firm Centerbridge Partners
ProBuild	\$3.6B in revenues	423	1997	Provides lumber and materials to contractors
Publix Super Markets	\$32B in revenues in 2015	1,098	1930	Employee owned corporation
RaceTrac	\$9B in revenues	661	1934	Privately owned gas station and convenience store
Royal Farms	\$80M in revenues	160	1959	Privately owned convenience stores
Save Mart Supermarkets	\$4.5B revenues	243	1952	Owns Lucky, Food Maxx, and S-Mart
Sheetz	\$6.3B in revenues	500	1952	Family owned and operated
TGI Fridays	\$1.8B in sales	507	1965	Owned by private equity firm Sentinel Capital Partners
Wawa	\$9.7B in sales	595	1964	Owned by Wild Goose Holding Co.
Bass Pro Shops	\$4.23B in revenues in 2014	70	1971	Outdoor retailer who opened 7 new stores in 2015
Pilot Flying J	\$17.77B in revenues	550	1993	Joint Venture of two travel center companies. Parent Pilot Corp.

## CHART RATING TIERS

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

# GLOBAL CORPORATE AVERAGE CUMULATIVE DEFAULT RATES (1981-2014) (%)

S&P	MOODY'S	YEARS														
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
AAA	Aaa	0.00	0.03	0.14	0.24	0.36	0.47	0.53	0.61	0.67	0.74	0.77	0.80	0.84	0.91	0.98
AA+	Aa1	0.00	0.05	0.05	0.11	0.17	0.23	0.29	0.35	0.42	0.48	0.55	0.62	0.69	0.77	0.85
AA	Aa2	0.02	0.03	0.09	0.23	0.38	0.51	0.64	0.77	0.87	0.98	1.07	1.14	1.26	1.34	1.42
AA-	Aa3	0.03	0.10	0.20	0.28	0.37	0.49	0.56	0.63	0.69	0.76	0.84	0.91	0.94	1.00	1.06
A+	A1	0.06	0.11	0.23	0.38	0.51	0.62	0.75	0.90	1.06	1.23	1.40	1.58	1.79	2.03	2.23
A	A2	0.07	0.17	0.26	0.40	0.54	0.74	0.94	1.13	1.35	1.61	1.82	1.97	2.10	2.20	2.40
A-	A3A	0.08	0.20	0.32	0.46	0.66	0.86	1.13	1.33	1.49	1.63	1.76	1.90	2.04	2.16	2.27
BBB+	Baa1	0.13	0.36	0.63	0.91	1.21	1.54	1.77	2.01	2.29	2.56	2.82	2.98	3.20	3.50	3.87
BBB	Baa2	0.19	0.49	0.76	1.18	1.60	2.01	2.41	2.81	3.24	3.67	4.13	4.55	4.89	5.01	5.25
BBB-	Baa3	0.30	0.91	1.63	2.47	3.29	4.04	4.71	5.35	5.87	6.40	6.97	7.45	7.90	8.56	9.01
BB+	Ba1	0.40	1.18	2.21	3.26	4.29	5.33	6.21	6.86	7.66	8.43	8.97	9.56	10.12	10.56	11.25
BB	Ba2	0.64	1.96	3.87	5.64	7.31	8.68	9.93	10.95	11.90	12.71	13.54	14.25	14.59	14.80	15.08
BB-	Ba3	1.09	3.37	5.76	8.09	10.11	12.12	13.75	15.31	16.60	17.74	18.61	19.28	20.04	20.76	21.39
B+	B1	2.23	6.06	9.82	13.06	15.53	17.42	19.15	20.68	22.08	23.43	24.48	25.31	26.09	26.79	27.41
B	B2	4.29	9.71	14.04	17.14	19.53	21.74	23.26	24.29	25.16	25.97	26.73	27.45	28.11	28.69	29.39
B-	B3	7.50	14.50	19.60	23.20	25.96	28.10	29.79	30.89	31.49	32.04	32.67	33.22	33.53	33.89	34.30
CCC/C	Caa1/Ca	26.38	35.58	40.67	43.77	46.28	47.24	48.27	49.06	50.03	50.73	51.28	51.94	52.72	53.38	53.38

Investment Grade	0.11	0.29	0.50	0.76	1.03	1.29	1.54	1.78	2.01	2.24	2.46	2.65	2.83	3.01	3.20
Speculative Grade	3.87	7.58	10.79	13.39	15.49	17.23	18.69	19.90	20.98	21.97	22.79	23.49	24.13	24.68	25.22
All Rated	1.50	2.95	4.23	5.31	6.20	6.97	7.62	8.18	8.68	9.15	9.56	9.90	1.21	10.49	10.78

Source: S&amp;P





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