



**CREDIT RATING REPORT**  
Semi-Annual Update | April 2017

**CALKAIN**

12930 Worldgate Drive | Suite 150  
Herndon, VA 20170  
(703) 787-4714

**CALKAIN.COM**

## Rated Tenants

TENANT NAME	STOCK SYMBOL <sup>1</sup>	S&P <sup>2</sup>	S&P OUTLOOK	MOODY'S	MOODY'S OUTLOOK
<b>C-STORES</b>					
7 Eleven	SE	AA-	Stable	Baa1	Stable
Circle K / Kangaroo (Alimentation Couche-Tard)	ANCUF	BBB	Stable	Baa2	Stable
Shell Oil	SHOI	A	Positive	Aa3	Under Review (Possible Downgrade)
Pilot Flying J	N/A	BB+	Stable	Ba1	Stable
<b>AUTOMOTIVE</b>					
Advance Auto Parts	AAP	BBB-	Stable	Baa2	Stable
AutoZone	AZO	BBB	Stable	Baa1	Stable
O'Reilly Auto Parts	ORLY	BBB+	Stable	Baa1	Stable
Pep Boys (Icahn Enterprises)	IEP	BB+	Stable	Ba3	Stable
<b>CASUAL DINING</b>					
Carrabba's (Bloomin' Brands)	BLMN	BB	Stable	NR	NR
Chili's (Brinker International)	EAT	BB+	Stable	Ba1	Stable
Darden Restaurants	DRI	BBB	Stable	Baa3	Stable
Red Lobster	N/A	NR	NR	B3	Stable
P.F. Chang's / Pei Wei	N/A	B-	Negative	B3	Under Review (Possible Downgrade)
<b>QSR</b>					
Burger King (Restaurant Brands International, Inc.)	QSR	B+	Stable	NR	NR
Dairy Queen (Berkshire Hathaway)	BRK.A	AA	Stable	Aa2	Stable
Hardee's (CKE Restaurants Holdings Inc.)	N/A	B-	Stable	NR	NR
McDonald's	MCD	BBB+	Stable	Baa1	Stable
Starbucks	SBUX	A	Stable	A2	Stable
Taco Bell / KFC (Yum! Brands, Inc.)	YUM	BB	Stable	Ba3	Under Review (Possible Downgrade)
Wendy's	WEN	B	Stable	B2	Stable
<b>BANKS</b>					
Bank of America	BAC	BBB+	Stable	Baa1	Positive
BankUnited	BKU	NR	NR	Ba1	Stable
BB&T Bank	BBT	A-	Stable	A2	Stable
BMO Harris Bank	BMO	A+	Stable	Aa3	Stable
Chase Bank	JPM	A+	Stable	Aa3	Stable
PNC Bank	PNC	A	Stable	A2	Stable
SunTrust	STI	BBB+	Stable	Baa1	Stable
TD Bank	TD	AA-	Stable	Aa1	Stable

TENANT NAME	STOCK SYMBOL <sup>1</sup>	S&P <sup>2</sup>	S&P OUTLOOK	MOODY'S	MOODY'S OUTLOOK
<b>BIG BOX</b>					
Best Buy	BBY	BBB-	Stable	Baa1	Stable
Costco	COST	A+	Stable	A1	Stable
Kohl's	KSS	BBB-	Negative	Baa2	Stable
Lowe's	LOW	A-	Stable	A3	Stable
Walmart	WMT	AA	Stable	Aa2	Stable
Petco	N/A	B	Stable	B2	Stable
<b>PHARMACIES</b>					
CVS	CVS	BBB+	Stable	Baa1	Stable
Rite Aid	RAD	B	Positive	B2	Under Review (Possible Downgrade)
Walgreens	WBA	BBB	Negative	Baa2	Under Review (Possible Downgrade)
<b>MEDICAL</b>					
Affordable Care	N/A	B-	Stable	B3	Stable
DaVita Dialysis	DVA	BB	Stable	Ba3	Stable
Fresenius Medical Care	FME	BBB-	Stable	Ba1	Stable
<b>DOLLAR STORES</b>					
Dollar General	DG	BBB	Stable	Baa2	Stable
Dollar Tree / Family Dollar	DLTR	BB+	Stable	Ba1	Under Review (Possible Downgrade)
<b>GROCERY</b>					
Delhaize	DEG	NR	NR	Baa2	Under Review (Possible Downgrade)
Kroger	KR	BBB	Stable	Baa1	Stable
Wegmans	N/A	BBB+	Stable	NR	NR
Whole Foods	WFMI	BBB-	Negative	Baa3	Stable
<b>GENERAL</b>					
Burlington Coat Factory	BURL	BB	Stable	NR	NR
FedEx	FDX	BBB	Stable	Baa2	Stable
Sherwin-Williams	SHW	A	Negative	A3	Under Review (Possible Downgrade)
Verizon	VZ	BBB+	Stable	Baa1	Stable

<sup>1</sup> N/A = Private company

<sup>2</sup> According to S&P credit conditions: policy uncertainty and rising rates pose risks in North America, but faster growth may help

\*NR = Not rated by the rating agency

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

As of 03/31/2017

## Unrated Tenants - Listed

TENANT	STOCK SYMBOL	STORE COUNT	FOUNDED	NET INCOME (MILLIONS)	MARKET CAP (BILLIONS)	NOTES
<b>Aaron's</b>	AAN	1,860	1955	\$139.28	\$2.13	Aaron's has identified approximately 70 stores to be closed in the second quarter of 2017. The Company may decide to close additional stores in future periods.
<b>Applebee's / IHOP</b> (owned by DineEquity)	DIN	3,700	2008	\$96.61	\$0.96	DineEquity has sold nearly all of its company-owned restaurants to franchisees as a way to generate more consistent revenue.
<b>BankUnited</b>	BKU	98	1984	\$216.98	\$4.00	BankUnited Small Business Finance announced it has expanded into Washington, Ohio and Wisconsin, while also deepening its footprint in Florida. Ranked on Forbes Magazine's list as one of the <i>Best Banks in America 2016</i> .
<b>Bojangles'</b>	BOJA	716	1977	\$37.72	\$0.75	Bojangles' now has over 700 restaurants in the US, of which 309 are company-operated and 407 are franchised restaurants. Bojangles' signed a new development agreement as they expand in Virginia.
<b>Chipotle</b>	CMG	2,000	1993	\$22.94	\$12.77	Comparable sales are expected to return to growth in 2017.
<b>Dunkin' Donuts</b>	DNKN	11,300	1950	\$105.23	\$5.10	Added 723 restaurants worldwide, including 397 locations in the US in 2016.
<b>Fred's Pharmacy</b>	FRED	659	1947	(\$7.37)	\$0.51	Fred's initially agreed to purchase 865 divested Rite Aid stores once the Walgreens-Rite Aid deal was completed. However, this number could go higher, with the chance the FTC requires up to 1,200 stores be divested.
<b>Napa Auto Parts</b> (owned by Genuine Auto Parts)	GPC	6,000	1925	\$687.24	\$13.70	In 2016, the company reported profit of \$687.2 million, or \$4.59 per share. Revenue was reported as \$15.34 billion.
<b>Pier 1 Imports</b>	PIR	953	1962	\$39.63	\$0.60	E-Commerce sales grew 20% compared to the same period a year ago. Pier 1 expects about 20 store closures in fiscal 2017.
<b>Mattress Firm</b> (owned by Steinhoff International Holdings)	STNHY	3,500	1986	\$3,500	\$1.11	Mattress Firm was bought on 8/8/2016 by Steinhoff International Holdings. Steinhoff is a furniture conglomerate with a retail presence in over 30 countries.
<b>Tractor Supply Co.</b>	TSCO	1,700	1938	\$437.12	\$8.92	Tractor Supply Co. opened a total of 113 new stores in 2016 and expects to continue its strategic expansion plans with additional store openings in 2017.

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## Unrated Tenants - Unlisted

TENANT	NET INCOME	STORE COUNT	FOUNDED	NOTES
ALDI	\$10.1B in annual sales	1,600	1948	Owned by a German company who also owns Trader Joe's. Aims for 2,000 new stores in the US by 2020.
Arby's	\$3.6B in sales in 2016	3,300	1964	Owned by private equity firm Roark Capital Group.
Ashley Furniture	\$3.85B in revenues	550	1970	Privately owned by a father and son team.
Aspen Dental	\$645M in annual revenues	450	1964	Owned by PE companies, Leonard Green & Partners and Ares Capital.
Brass Pro Shops	\$4.45B in annual revenues	100	1971	Acquired Cabela's Inc. in October of 2016, uniting the two biggest sellers of outdoor sports gear.
Captain D's	\$1.5B in sales	520	1969	Privately owned fast casual seafood chain.
Cellular Sales of Knoxville	\$703M+ in annual revenue	600	1993	Inc. Magazine named them one of the nation's fastest-growing privately owned retailers for eight of the past nine years.
Chick-fil-A	Est. \$6.8B in revenue in 2015	2,000	1946	Has the highest sales per location of any QSR restaurant.
Church's Chicken	\$1.2B in system-wide sales	1,700	1952	Private fast food chain with more than 1,700 locations in 25 countries.
Cracker Barrel	\$772M in revenues in 2016	639	1969	Cracker Barrel expands its footprint on the west coast with the first Oregon store opening in April of 2017.
Giant Eagle	\$9.3B in annual sales	218	1931	Privately owned and largest supermarket chain in Western Pennsylvania.
Hobby Lobby	\$4B in revenues in 2015	750	1972	One-stop-shop for craft supplies.
Imagine School	\$234M in 2014	71	2004	Operates charter schools.
PDQ	\$28M in sales	55	2011	Florida based fast-casual chain.
ProBuild	\$3.6B in revenues	423	1997	Provides lumber and materials to contractors.
Publix Super Markets	\$32B in revenues in 2015	1,144	1930	Employee owned corporation.
RaceTrac	\$9.1B in revenues	670	1934	Gas station and convenience store. 36th largest privately owned US company.
Royal Farms	\$80M in revenues	163	1959	Privately owned gas station and convenience stores. Actively expanding in MD, DE, VA, and PA.
The Save Mart Companies	\$4.5B in revenues	205	1952	Formerly Save Mart Supermarkets, owns Lucky, Food Maxx, and S-Mart.
Sheetz	\$6.3B in revenues in 2015	518	1952	Family owned and operated convenience stores open 24/7, opened 11 stores in 2016.
Steak 'n Shake	\$210M in revenues	552	1934	Steak 'n Shake Operations Inc. is a wholly owned subsidiary of Biglari Holdings Inc.
Tilted Kilt	\$250M in revenues	26	2003	Privately owned Celtic-themed sports bar and franchise restaurant chain.
Wawa	\$8.9B in revenues in 2015	725	1964	Owned by Wild Goose Holding Co, with plans for 12 new locations in the summer of 2017.
Wegmans	\$8.3B in sales in 2016	92	1916	Privately owned supermarket chain.
Zaxby's	\$1B in annual sales	800	1990	Fast-casual chicken chain.

## Chart Rating Tiers

MOODY'S		S&P		FITCH		DBRS		TIER GRADE	
LONG-TERM	SHORT-TERM	LONG-TERM	SHORT-TERM	LONG-TERM	SHORT-TERM	LONG-TERM	SHORT-TERM		
Aaa	P-1	AAA	A-1+	AAA	F1+	AAA	R-1H	PRIME	
Aa1		AA+		AA+		AA(high)			
Aa2		AA		AA		AA	R-1M		
Aa3		AA-		AA-		AA(low)			
A1	P-2	A+	A-1	A+	F1	A(high)	R-1L	UPPER MEDIUM GRADE	
A2		A		A		A			
A3		A-		A-		A(low)			
Baa1	P-3	BBB+	A-2	BBB+	F2	BBB(high)	R-2H	LOWER MEDIUM GRADE	
Baa2		BBB		BBB		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	Not prime	CCC+	C	CCC	C	CCC(high)	R-5	SUBSTANTIAL RISKS	
Caa2		CCC				CCC			CCC
Caa3		CCC-				CCC(low)			CCC(low)
Ca		CC				CC		CC	
		C				CC(high)		CC	
						CC(low)		CC	
C	/	D	/	D	D	C(high)	D	EXTREMELY SPECULATIVE	
						C			C
						C(low)			C(low)
C	/	D	/	D	D	DDD	D	IN DEFAULT	
						DD			DD
						D			D



# Global Corporate Average Cumulative Default Rates

(1981-2015) (%)

		YEARS														
S&P	MOODY'S	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
AAA	Aaa	0.00	0.03	0.14	0.25	0.35	0.47	0.52	0.61	0.67	0.73	0.76	0.79	0.82	0.89	0.96
AA+	Aa1	0.00	0.06	0.06	0.11	0.17	0.23	0.29	0.35	0.41	0.47	0.54	0.61	0.68	0.75	0.82
AA	Aa2	0.02	0.04	0.09	0.23	0.38	0.50	0.64	0.75	0.85	0.96	1.05	1.11	1.23	1.30	1.38
AA-	Aa3	0.03	0.10	0.21	0.30	0.38	0.49	0.57	0.62	0.69	0.75	0.82	0.89	0.92	0.97	1.03
A+	A1	0.06	0.12	0.25	0.40	0.52	0.62	0.75	0.89	1.04	1.21	1.36	1.53	1.73	1.96	2.14
A	A2	0.07	0.18	0.28	0.42	0.57	0.77	0.97	1.16	1.38	1.63	1.84	2.00	2.14	2.22	2.41
A-	A3A	0.09	0.22	0.36	0.49	0.68	0.87	1.14	1.34	1.50	1.64	1.78	1.93	2.07	2.21	2.33
BBB+	Baa1	0.15	0.41	0.70	0.98	1.26	1.59	1.84	2.11	2.41	2.71	3.00	3.20	3.46	3.80	4.19
BBB	Baa2	0.23	0.56	0.85	1.26	1.67	2.08	2.46	2.83	3.23	3.63	4.07	4.47	4.79	4.92	5.16
BBB-	Baa3	0.36	1.06	1.83	2.67	3.44	4.13	4.76	5.35	5.84	6.32	6.87	7.32	7.75	8.37	8.84
BB+	Ba1	0.49	1.38	2.48	3.53	4.51	5.49	6.31	6.91	7.65	8.35	8.83	9.41	9.96	10.41	11.03
BB	Ba2	0.76	2.25	4.25	6.01	7.68	9.01	10.22	11.20	12.12	12.91	13.69	14.37	14.70	14.93	15.27
BB-	Ba3	1.22	3.70	6.17	8.50	10.52	12.49	14.14	15.73	17.03	18.17	19.04	19.69	20.39	21.09	21.68
B+	B1	2.51	6.64	10.54	13.76	16.15	18.03	19.74	21.23	22.61	23.87	24.85	25.61	26.34	27.00	27.60
B	B2	5.59	11.77	16.40	19.42	21.61	23.61	25.08	26.08	26.90	27.72	28.42	29.05	29.63	30.19	30.85
B-	B3	8.74	16.36	21.49	25.01	27.82	29.82	31.46	32.51	33.18	33.76	34.56	35.17	35.44	35.75	36.10
CCC/C	Caa1/Ca	27.22	36.41	41.59	44.64	46.99	47.84	48.79	49.59	50.48	51.12	51.61	52.24	53.08	53.74	53.74
Investment Grade		0.12	0.32	0.54	0.80	1.06	1.32	1.56	1.79	2.02	2.25	2.47	2.66	2.84	3.02	3.21
Speculative Grade		4.29	8.28	11.61	14.19	16.25	17.93	19.36	20.54	21.60	22.55	23.34	24.00	24.60	25.13	25.65
All Rated		1.59	3.12	4.44	5.51	6.40	7.16	7.80	8.35	8.85	9.32	9.72	10.05	10.36	10.64	10.92

Source: S&amp;P

# NET LEASE *Advisor*

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Herndon, VA 20170  
(703) 787-4714  
[CALKAIN.COM](http://CALKAIN.COM)