# Procter & Gamble Company PG (NYSE) | AA

| Business Risk | Cash Flow Cushion™ | Solvency Score | Distance To Default | Economic Moat™ | Industry Group | Sector |
|---|---|---|---|---|---|---|
| Very Good | Good | Good | Very Good | Wide | Consumer Packaged Goods | Cons Goods |

## Higher Commodity Costs Hit P&G's Gross Margins, but Lower Tax Rate Rescues Earnings

See Page 7 for the full Analyst Note from 27 Jan 2011

Morningstar Credit Committee
credit@morningstar.com

Committee members voting on rating do not own securities issued by the company.

Credit Analysis as of 29 Dec 2010
Business Analysis as of 29 Dec 2010
Estimates as of 28 Dec 2010

Currency amounts expressed with "$" are in U.S. dollars (USD) unless otherwise denoted.

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**Credit Perspective** 01 Sep 2010

Procter & Gamble has the product and geographic diversity to weather protracted economic storms. The firm's global scale, fortress balance sheet and exposure to defensive categories helps it withstand rising commodity costs, fluctuating foreign currencies and weakening consumer spending. More importantly, as the market share leader in many of its categories, P&G can exert significant influence in pricing and promotional spending. From a category perspective household staples such as paper towels and fabric detergent give P&G a firm foundation and consistent, solid cash flows, while beauty care and male grooming categories offer more opportunities for growth. Over the past several years management's sound financial stewardship has allowed the firm to raise its dividend and continue to make small, opportunistic acquisitions. With unparalleled skills in marketing, advertising and consumer research, we expect P&G to continue to effectively deploy its resources in support of its brands no matter what the economic climate. The company has long proven that it can effectively manage its balance sheet and cash flow to be able to grow its business.

P&G has a demonstrated track record of operating with high interest coverage and prudently using leverage. We forecast the firm will increase its dividend payment by an average 8% annually over the next five years and will continue to use free cash flow to repurchase stock. P&G should have no difficulty meeting its debt maturity schedule over the next five years, as our Cash Flow Cushion calculations are well in excess of its cash obligations.

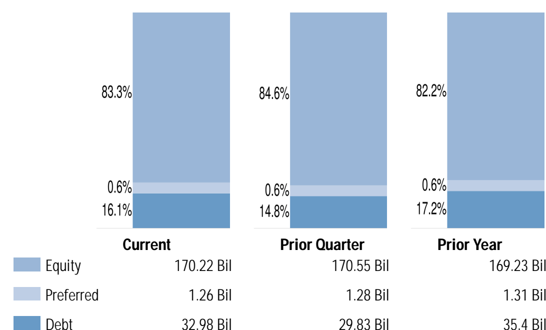
**Credit Metrics** (USD Mil)

| | 2009 | 2010 | *2011(E)* | *2012(E)* |
|---|---|---|---|---|
| Cash And Equivalents | 4,781 | 2,879 | *5,502* | *6,793* |
| Total Debt | 36,972 | 29,832 | *27,710* | *25,936* |
| Interest Expense | 1,226 | 1,184 | *873* | *914* |
| EBITDA | 18,456 | 19,129 | *20,297* | *21,343* |
| Debt to Book Capital | 0.4 | 0.3 | *0.3* | *0.3* |
| Quick Ratio | 0.3 | 0.3 | *0.5* | *0.6* |
| Debt to EBITDA | 2.0 | 1.6 | *1.4* | *1.2* |
| EBITDA to Interest Expense | 13.6 | 20.2 | *23.2* | *23.4* |

**Operating Summary** (USD Mil)

| | 2009 | 2010 | *2011(E)* | *2012(E)* |
|---|---|---|---|---|
| Sales | 76,694 | 78,938 | *82,081* | *85,410* |
| % Change | -3.2 | 2.9 | *4.0* | *4.1* |
| EBIT | 15,374 | 16,021 | *17,014* | *17,926* |
| % Net Sales | 20.1 | 20.3 | *20.7* | *21.0* |
| Net Income | 13,436 | 12,736 | *11,965* | *12,604* |
| % Net Sales | 17.5 | 16.1 | *14.6* | *14.8* |
| Free Cash Flow | 12,714 | 16,211 | *11,774* | *13,768* |
| % Net Sales | 16.6 | 20.5 | *14.3* | *16.1* |

**Capital Structure**




| | Current | Prior Quarter | Prior Year |
|---|---|---|---|
| Equity | 170.22 Bil | 170.55 Bil | 169.23 Bil |
| Preferred | 1.26 Bil | 1.28 Bil | 1.31 Bil |
| Debt | 32.98 Bil | 29.83 Bil | 35.4 Bil |

Source: Morningstar

**Issuer Profile**

Since its founding in 1837, Procter & Gamble has become the world's largest consumer product manufacturer, with a lineup of famous brands. The brands are sold through three global business units and include Tide laundry detergent, Charmin toilet paper, Pantene shampoo, Cover Girl cosmetics, and Iams pet food. Since 2001, the company has doubled the sales it derives from developing markets, acquired and integrated Wella and Gillette, and sold its pharmaceutical and coffee businesses.

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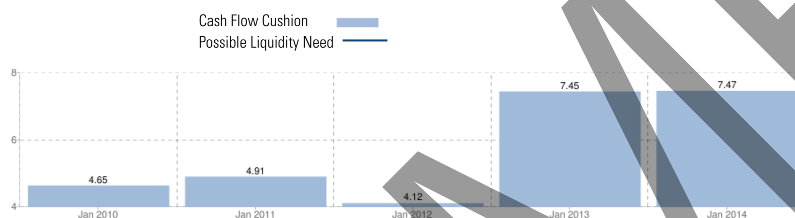
## Credit Analysis

### Five Year Adjusted Cash Flow Forecast (USD Mil)

| | 2011(E) | 2012(E) | 2013(E) | 2014(E) | 2015(E) |
|---|---|---|---|---|---|
| Cash and Equivalents (beginning of period) | 2,879 | 5,502 | 6,793 | 12,613 | 20,065 |
| Adjusted Free Cash Flow | 8,310 | 14,873 | 15,397 | 16,031 | 16,701 |
| Total Cash Available before Debt Service | 11,189 | 20,375 | 22,190 | 28,644 | 36,766 |
| | | | | | |
| Principal Payments | -564 | -2,304 | -3,501 | -1,924 | -2,897 |
| Interest Payments | -873 | -914 | -951 | -986 | -1,076 |
| Other Cash Obligations and Commitments | 971 | 929 | 934 | 933 | 947 |
| Total Cash Obligations and Commitments | -2,408 | -4,147 | -5,386 | -3,843 | -4,920 |

### Cumulative Annual Cash Flow Cushion




### Adjusted Cash Flow Summary

| | USD Millions | % of Commitments |
|---|---|---|
| Beginning Cash Balance | 2,879 | 13.9 |
| Sum of 5-Year Adjusted Free Cash Flow | 71,312 | 344.4 |
| Sum of Cash and 5-Year Cash Generation | 74,191 | 358.3 |
| | | |
| Revolver Availability | 9,000 | 43.5 |
| Asset Adjusted Borrowings (Repayment) | 0 | 0.0 |
| | | |
| Sum of Cash, 5-Year Cash Generation, Revolver and Adjustments | 83,191 | 401.8 |
| Sum of 5-Year Cash Commitments | -20,705 | — |

### Credit Rating Pillars—Peer Group Comparison

| | PG | Sector | Universe |
|---|---|---|---|
| Business Risk | 2 | 5.0 | 5.4 |
| Cash Flow Cushion | 4 | 5.8 | 5.9 |
| Solvency Score | 4 | 4.8 | 4.7 |
| Distance to Default | 1 | 3.7 | 3.9 |
| Credit Rating | AA | BBB+ | BBB+ |

Source: Morningstar Estimates

Note: Scoring is on a scale 1-10, 1 being Best, 10 being Worst

### Financial Health

P&G is a prudent company with a rock-solid balance sheet. The firm has a Morningstar credit rating of AA, generated $16 billion in cash from operations in 2010, and has an interest coverage ratio of more than 17 times earnings before interest and taxes.

### Capital Structure

P&G takes a fairly conservative approach to its capital structure, keeping its focus on maintaining investment-grade credit to be able to deploy capital as it sees fit. Total debt/capital has averaged 0.35 during the past five years, and total debt/earnings before, interest, taxes, depreciation, and amortization has been 2.0; we expect the firm to maintain these levels or better going forward. With free cash flow as a percentage of revenue at 16.5% and $16 billion in cash from operations in fiscal 2010, P&G can easily support its roughly $30 billion debt load. The firm had no problem with some significant debt maturities due in fiscal 2010, refinancing $1 billion of debt at a historically low coupon rate. The timing of debt securities for P&G is little cause for concern, given the strength of the balance sheet.

The firm maintains a healthy amount of cash on its balance sheet, but given management's commitment to step up investment in the business during the next several years, we doubt there is much appetite to raid the piggy bank for a large acquisition. Small tuck-in acquisitions and further divestitures are more likely, particularly until the firm sees evidence that consumer spending is on more solid footing. The company completed a $22 billion three-year share-repurchase plan at the end of the fiscal year.

### Enterprise Risk

With consumers stuck in the spending doldrums, consumer product manufacturers have resorted to hefty promotional spending to keep sales healthy. This hurts profitability and trains shoppers to expect lower prices. It's difficult enough

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| Very Good | Good | Good | Very Good | Wide | Consumer Packaged Goods | Cons Goods |

## Credit Analysis

for P&G just to develop and support a successful stream of new products and accelerate its huge top line. Additionally, a disproportionate amount of growth from developing markets and lower-margin, value-oriented products could keep margin expansion in check.

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## Business Analysis

**Thesis**

Procter & Gamble's size confers tremendous benefits in terms of distribution, brand reach, and scale with suppliers, but the goliath has been slow off the block in responding to the dramatic downturn in consumer spending. Over the past year, however, P&G has implemented plans to reinvigorate top-line and earnings growth, and we remain confident in its strategies as the household product stalwart repositions itself for a more challenging economy. At its core, P&G possesses unprecedented skills in consumer understanding, marketing, and brand-building and, the firm's slow reaction to the downturn notwithstanding, these skills haven't wavered.

P&G's value and premium household product offerings cross consumer categories from toilet paper and dog food to shampoo and skin cream. The firm offers multiple products in a category and often more than one brand, in order to reach the most possible shoppers. Once in a brand family, P&G aims to keep buyers loyal and spending more, with its product improvements and brand extensions. Product innovations also provide P&G with higher margins while creating a useful feedback loop of consumer information that the firm can capitalize on with its strong research capabilities. Because P&G's brands often hold top market share positions, the company achieves economies of scale in distribution and retains a strong bargaining position with retailers.

However, the higher prices P&G pushed through on its products to offset input cost inflation of $2 billion and negative foreign currency exchange of $4 billion in fiscal 2009 translated to uncompetitive pricing on store shelves in the midst of the economic downturn. Sales volume declined, and P&G lost market share in some categories. We don't expect the market share erosion to continue, but management has looked to complement its strategy of consumer trade-up with some more tactical efforts. In addition to increasing advertising spending, the firm is more aggressively discounting and promoting at the shelf, all while trying to emphasize performance over price. Competition has become quite heated, though, and it's not clear that aggressive price actions are going to drive the sales volume needed to make these actions profitable.

To keep profits healthy, CEO Robert McDonald is instituting cost discipline in business services, purchasing, and logistics. Savings from these initiatives, along with investments in new product development, are expected to offset any potential gross margin erosion that could result from a more value-oriented positioning of the firm's brands. P&G is well equipped to expand its brands over the long run, but this remains a very challenging consumer environment.

**Economic Moat**

P&G is the leading consumer product manufacturer in the world, with just less than $80 billion in annual sales. Its wide moat derives from the economies of scale P&G enjoys from its portfolio of leading brands, 23 of which generate more than $1 billion revenue per year and another 20 of which generate more than $500 million in sales annually. Underpinning P&G's unprecedented global brand reach are core research and development capabilities and a strong marketing-driven understanding of consumer needs, backed by more than $7 billion in advertising spending. The company has perfected trading consumers up to premium products, but its focus following the economic downturn is to offer enough product diversity in its categories to tier its offerings and appeal to value-oriented consumers as well as consumers willing to pay premium prices for added product benefits. Because P&G holds leading global market shares in a variety of categories, including baby care (33%), blades and razors (70%), feminine protection (37%), and fabric care (33%), retailers rely on the firm's top brands to bring consumers into their stores.

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## Business Analysis

**Moat Trend**

We believe P&G's moat trend is stable and should remain so over time because of the firm's scale advantages in purchasing and distribution and its core competence in building consumer interest and loyalty in its brands. The firm facilitates this loyalty with its strategy of offering an array of products at various price points in each of its categories. Economies of scale, significant R&D and marketing investments to support its brands, and a broad product portfolio help P&G keep competitors from taking market share, in good times and bad. During the past several years, the firm has built out a tiered product portfolio to reach the widest variety of consumers.

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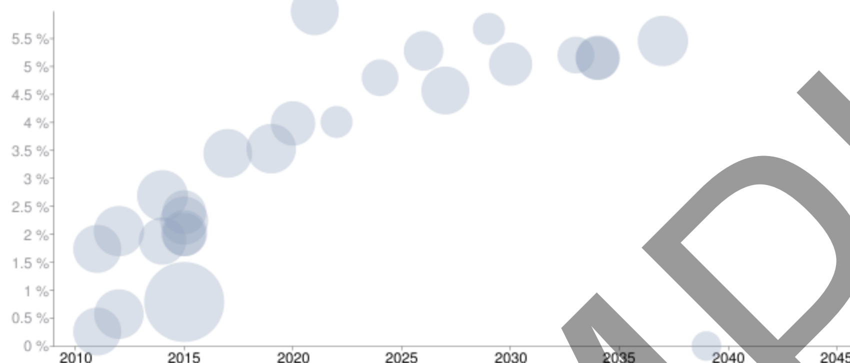
## Outstanding Issues

Outstanding Issue By Maturity Date and Yield




Issue Information

| Name | Currency | Maturity Date | Coupon (%) | Price | Yield (%) | Callable | Convertible | Modified Duration |
|---|---|---|---|---|---|---|---|---|
| Procter & Gamble Intl Fdg Sca 1.35% | USD | 26 Aug 2011 | 1.35 | 100.632 | 0.26 | Yes | No | 0.6 |
| Procter & Gamble 4.875% | EUR | 24 Oct 2011 | 4.88 | 102.29 | 1.74 | No | No | 0.7 |
| 1.375 Procter 12SrN | USD | 01 Aug 2012 | 1.38 | 101.205 | 0.58 | Yes | No | 1.5 |
| Procter & Gamble 3.375% | EUR | 07 Dec 2012 | 3.38 | 102.38 | 2.06 | No | No | 1.8 |
| Procter & Gamble 4.5% | EUR | 12 May 2014 | 4.5 | 105.61 | 2.69 | No | No | 3 |
| Procter & Gamble 4.95% | USD | 15 Aug 2014 | 4.95 | 110.5 | 1.88 | Yes | No | 3.2 |
| Procter & Gamble 3.5% | USD | 15 Feb 2015 | 3.5 | 105.73 | 2.02 | Yes | No | 3.7 |
| Procter & Gamble 0.95% | JPY | 20 May 2015 | 0.95 | 100.67 | 0.79 | No | No | 4.2 |
| 3.15 Procter 15 SrN | USD | 01 Sep 2015 | 3.15 | 105.045 | 2 | Yes | No | 4.2 |
| Procter & Gamble | USD | 15 Nov 2015 | 1.8 | 97.985 | 2.25 | Yes | No | 4.5 |
| Procter & Gamble 4.85% | USD | 15 Dec 2015 | 4.85 | 111.25 | 2.4 | Yes | No | 4.4 |
| Procter & Gamble 5.125% | EUR | 24 Oct 2017 | 5.13 | 109.92 | 3.45 | No | No | 5.7 |
| Procter & Gamble 4.7% | USD | 15 Feb 2019 | 4.7 | 108.12 | 3.53 | Yes | No | 6.6 |
| Procter & Gamble 4.125% | EUR | 07 Dec 2020 | 4.13 | 101.13 | 3.98 | No | No | 8 |
| Proc & Gambl Pft Shr Tr & Esop 9.36% | USD | 01 Jan 2021 | 9.36 | 125.1 | 5.99 | No | No | 6.6 |
| Procter & Gamble 8.75% | USD | 01 Jun 2022 | 8.75 | 143.563 | 4.01 | No | No | 7.9 |
| 8 Procter 24 Debs | USD | 01 Sep 2024 | 8 | 131.68 | 4.8 | No | No | 8.8 |
| Procter & Gamble 6.45% | USD | 15 Jan 2026 | 6.45 | 112 | 5.28 | Yes | No | 9.8 |
| Procter & Gamble 4.875% | EUR | 11 May 2027 | 4.88 | 103.41 | 4.57 | No | No | 10.8 |
| Procter & Gamble 8% | USD | 26 Oct 2029 | 8 | 126.64 | 5.67 | No | No | 10.5 |
| Procter & Gamble 6.25% | GBP | 31 Jan 2030 | 6.25 | 114.46 | 5.04 | No | No | 11 |
| Procter & Gamble 5.25% | GBP | 19 Jan 2033 | 5.25 | 100.576 | 5.21 | No | No | 12.9 |
| Procter & Gamble 5.5% | USD | 01 Feb 2034 | 5.5 | 104.7 | 5.15 | Yes | No | 12.9 |
| Procter & Gamble 5.8% | USD | 15 Aug 2034 | 5.8 | 108.71 | 5.16 | Yes | No | 12.9 |
| Procter & Gamble 5.55% | USD | 05 Mar 2037 | 5.55 | 101.28 | 5.46 | Yes | No | 13.5 |
| Procter & Gamble FRN | USD | 15 Nov 2039 | 0 | 99.858 | 0 | Yes | No | 29.4 |
| Procter & Gamble FRN | USD | 04 Nov 2048 | 0 | 98.775 | 0.03 | Yes | No | 38.5 |

Source: IDC and Finra

A maximum of 33 issues is displayed.

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## Recent Notes from our Credit and Equity Analysts

**Higher Commodity Costs Hit P&G's Gross Margins, but Lower Tax Rate Rescues Earnings** 27 Jan 2011

Our thesis that divergent growth opportunities between mature and developing markets will prove a growing challenge was clear in Procter & Gamble's PG second-quarter results, reported Thursday, but our fair value estimate remains intact. Total sales increased 2.0% from the year-ago period for the quarter to $21.3 billion, with sales increasing 3.0% on an internal basis and volume up 6.0%. Headwinds from negative foreign exchange and mix affected the top line, and both factors are a result of the dramatic growth rate disparities in P&G's markets. Developing region volume was up double digits in the period versus low single digits in mature markets, and management said growth in North America and Europe was flat with the year-ago quarter, below expectations of 1.0%. Mature market consumers, it would seem, were tapped out at the end of December following holiday spending.

While the sales results were not as healthy as we had expected, it was the 190-basis-point decline in gross margins that was the biggest surprise. Of this decline, 160 basis points came from increased commodity costs. Negative mix from higher sales of lower-priced products in developing regions added another 100 basis points of pressure, and cost savings were only able to recoup 140 basis points of this. The impact flowed through to operating results, with operating margins down 210 basis points to 20.0%. Without a lower effective tax rate of roughly 18% compared with almost 30% in the year-ago quarter, it would have been a very difficult earnings quarter indeed. Easier comparisons in the back half of P&G's fiscal year, from both a commodity cost and investment standpoint (with higher spending last year), will help results in the coming quarters, but if input cost inflation persists or starts to squeeze consumers in developing markets, the comparisons may not be as easy as the firm expects.

**Analyst Day Presentations Point to a More Integrated and Aggressive P&G** 20 Dec 2010

Procter & Gamble's PG analyst day presentations late last week showcased a more integrated company primed to expand aggressively in new markets. While mature markets continue to lag, we think the firm has set the stage to grow market share and market categories overseas. Additionally, further productivity improvements and cost reduction efforts should keep profits healthy. While the presentations offered up few strategic surprises, and little concrete discussion of pricing or promotions, we were impressed with how much top management was in harmony around the firm's growth initiatives. After several rocky years when the firm struggled to get its arms around changes in consumer spending, we think the firm will benefit now that key leaders are singing from the same song book; our fair value estimate remains unchanged.

Management has a 1%-2% target for sales growth in mature markets, which we think is rightly cautious, but the firm's 8%-10% target growth rate for emerging markets seems achievable. Increasing consumption trends and expanded distribution should facilitate this goal, and P&G outlined the many white space opportunities in overseas markets in which its products are underpenetrated. The openings include new countries, new retail channels, and new price tiers. We are less certain with P&G's plan to build product "regimens" whereby consumers would adhere to a plan of numerous beauty or oral care treatments. At least in Western markets where consumers have clamped down on spending, we're skeptical these initiatives will drive top-line growth, although in markets like Brazil and Japan, where per capita spending on beauty care is expected to exceed spending in mature markets, consumers are more likely to respond to these efforts.

Finally, management outlined cost savings opportunities from simplification efforts to reduce everything from

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facilities and formulas to SKUs that could reach 350-450 basis points in operating margin. Between these plans, and the leverage P&G can obtain from just keeping its costs fixed, we expect to see modest margin improvement over our forecast period. P&G will undoubtedly reinvest some of these savings back in the business as it continues to fortify its wide-moat advantage in marketing, product development, and distribution.

**P&G Delivers Healthy Sales and Earnings in 1Q, but Rising Input Costs an Intensifying Headwind** 27 Oct 2010
Procter & Gamble PG has been battling back from a recessionary slump for several quarters, with stepped-up new product initiatives and spending to defend market shares. If first-quarter results, reported Wednesday, are any indication, there is still a tough fight in the ring, but P&G remains well conditioned to take some blows, so our fair value estimate is unchanged.

Total net sales increased 2.0%, with healthy volume growth of 7.0% (excluding acquisitions) damped by negative foreign exchange of 3.0%, negative pricing of 1.0%, and negative mix of 2.0%. Internal sales growth increased 4.0% for the quarter, with all segments except snacks and pet care delivering positive internal sales increases. Commodity costs are creeping higher and the gross margin declined 70 basis points to 51.9% for the period. Operating margins were down only 10 basis points, as lower overhead costs offset some of the gross margin decline. We've maintained for some time that P&G has room to expand margins by improving productivity, and this thesis appears to be playing out. The negligible operating margin decline is particularly notable given the hefty marketing spending P&G is deploying in support of its product portfolio.

**P&G's Profits Decline in 4Q** 03 Aug 2010
Pricing pressure and negative mix hurt Procter & Gamble's PG revenue in the fourth quarter, while increased advertising investment weighed on operating profits. It's clear to us that the firm is taking a long-term view with its brand investments and plans to defend market share, which we believe is appropriate, so our fair value estimate remains intact.

While the 12.7% decline in operating profit and 350-basis-point operating margin contraction fell short of consensus expectations, bottom-line fiscal-year results are in line with our forecasts. The $1 billion fiscal-year increase in advertising spending is a necessary step, in our view, for P&G to maintain its brand equities in a very challenging consumer environment. This investment was most evident in the company's fabric- and home-care business during the quarter, where sales were flat with the year-ago quarter, operating income declined 22.4%, and the operating margin contracted to 17.4% from 22.5%. We don't take this drop-off in profits lightly, particularly since sales were pressured by negative pricing of 4.0%, but before this quarter, fabric-care margins had been fairly strong. The fabric- and home-care business is the firm's bread and butter, in our view, so this negative pricing is a concern, but given still-sluggish consumer spending, it's also not that surprising. We expect P&G to strike a healthier balance between increased brand investments and maintaining profitability in coming quarters, and we'll be watching for progress in the fabric- and home-care segment in particular.

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# Morningstar's Approach to Rating Corporate Credit

- Offers a proprietary measure of the credit quality of companies on our coverage list.
- Encapsulates our in-depth modeling and quantitative work in one letter grade.
- Allows investors to rank companies by each of the four underlying components of our credit ratings, including both analyst-driven and quantitative measures.
- Provides access to all the underlying forecasts that go into the rating, available through our institutional service.

## Purpose

The Morningstar Corporate Credit Rating measures the ability of a firm to satisfy its debt and debt-like obligations. The higher the rating, the less likely we think the company is to default on these obligations.

The Morningstar Corporate Credit Rating builds on the modeling expertise of our securities research team. For each company, we publish:

- Five years of detailed pro-forma financial statements
- Annual estimates of free cash flow
- Annual forecasts of return on invested capital
- Scenario analyses, including upside and downside cases
- Forecasts of leverage, coverage, and liquidity ratios for five years
- Estimates of off balance sheet liabilities

These forecasts are key inputs into the Morningstar Corporate Credit Rating and are available to subscribers at select.morningstar.com.

## Methodology

We feel it's important to perform credit analysis through different lenses—qualitative and quantitative, as well as fundamental and market-driven. We therefore evaluate each company in four broad categories.

*Business Risk*

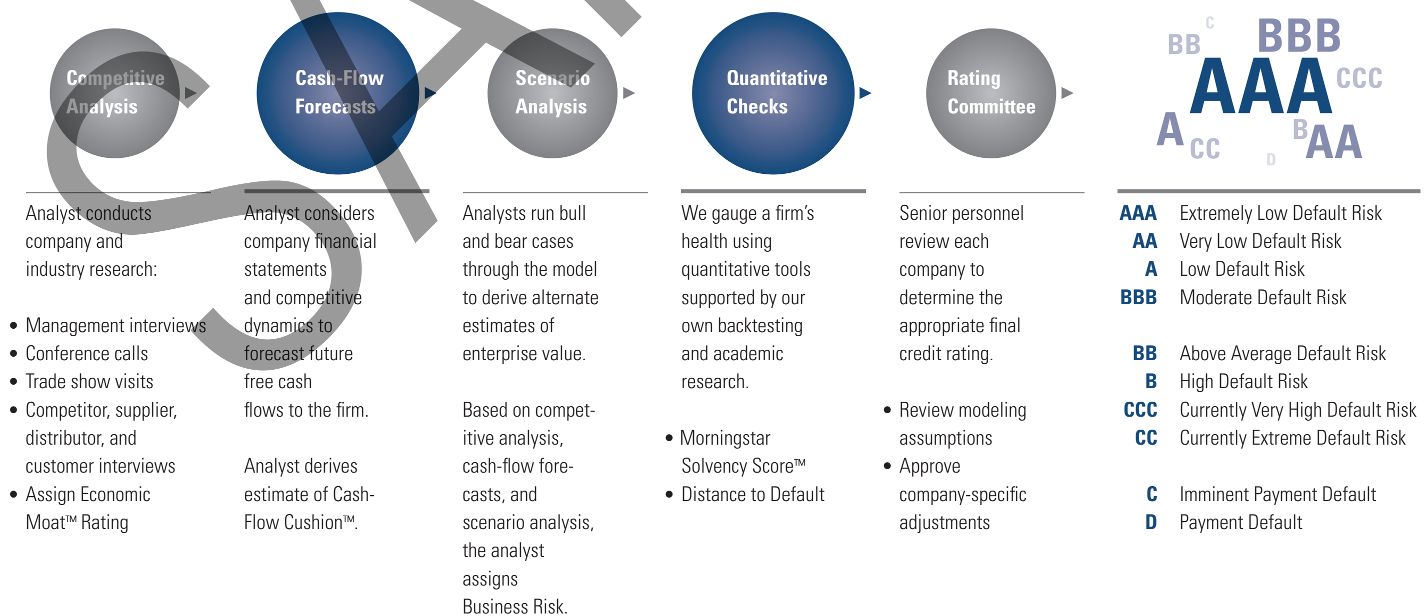
Business Risk captures the fundamental uncertainty around a firm's business operations and the cash flow generated by those operations. Key components of the Business Risk rating include the Morningstar Economic Moat™ Rating and the Morningstar Uncertainty Rating.

*Cash Flow Cushion™*

Morningstar's proprietary Cash Flow Cushion™ ratio is a fundamental indicator of a firm's future financial health. The measure reveals how many times a company's internal cash generation plus total excess liquid cash will cover its debt-like contractual commitments over the next five years. The Cash Flow Cushion acts as a predictor of financial distress, bringing to light potential refinancing, operational, and liquidity risks inherent to the firm.

SAMPLE

**Morningstar Research Methodology for Determining Corporate Credit Ratings**

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# Morningstar's Approach to Rating Corporate Credit

The advantage of the Cash Flow Cushion ratio relative to other fundamental indicators of credit health is that the measure focuses on the future cash-generating performance of the firm derived from Morningstar's proprietary discounted cash flow model. By making standardized adjustments for certain expenses to reflect their debt-like characteristics, we can compare future projected free cash flows with debt-like cash commitments coming due in any particular year. The forward-looking nature of this metric allows us to anticipate changes in a firm's financial health and pinpoint periods where cash shortfalls are likely to occur.

*Morningstar Solvency Score™*

The Morningstar Solvency Score™ is a quantitative score derived from both historical and forecasted financial ratios. It includes ratios that focus on liquidity (a company's ability to meet short term cash outflows), profitability (a company's ability to generate profit per unit of input), capital structure (how does the company finance its operations), and interest coverage (how much of profit is used up by interest payments).

*Distance to Default*

The Distance to Default rating is a quantitative, market-based measure of a company's current financial health. (Distance to Default serves as the basis for Morningstar's Financial Health Grade.) The underlying model treats the equity of a firm as a call option on that firm's assets. Based on estimates of asset volatility and the Black-Scholes option-pricing model, we can estimate the likelihood that the value of the company's assets falls below the value of its liabilities, implying likely default.

For each of these four categories, we assign a score, which we then translate into a descriptive rating along the scale of Very Good / Good / Fair / Poor / Very Poor.

**Overall Credit Rating**

The four component ratings roll up into a single preliminary credit rating. To determine the final credit rating, a credit committee of at least five senior research personnel reviews each preliminary rating.

We review credit ratings on a regular basis and as events warrant. Any change in rating must be approved by the Credit Rating Committee.

**Investor Access**

Morningstar Corporate Credit Ratings are available on Morningstar.com. Our credit research, including detailed cash-flow models that contain all of the components of the Morningstar Corporate Credit Rating, is available to subscribers at select.morningstar.com.

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