

BCP Research: Tilray Inc (TLRY)- Overview and 3Q20 Results- Initiate at Neutral

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Summary: Tilray Inc (Tilray), a fully-integrated Canadian cannabis company, released 3Q20 results, with both y/y and q/q revenue improvements reflecting Tilray's portfolio shift towards premium adult-use product offerings. Inventory days (263) increased slightly q/q. Adj. EBITDA nearly reached break-even levels (-US\$2 mm), reducing cash burn (-US\$20 mm), despite increased capex. Equity issuance of US\$45 mm helped increase cash to US\$155 mm (77% cash to LTM revenue) and decrease net debt to US\$399 mm.

Tilray's strategy appears similar peer Aurora Cannabis, reducing cost structure and focusing on premium offerings and global expansion. Adjusted EBITDA is guided to reach breakeven or positive by 4Q20, bringing Tilray closer to FCF+, with US\$389 mm in total available liquidity and est. pro-forma net debt of US\$202 mm, following the recent convert exchange. BBG 2023 consensus, which we assume is predicated on operating improvements and industry consolidation, anticipates a 3x+ increase in revenues (v. LTM 3Q20) at 17% EBITDA margins and implied pro-forma net leverage of 2.2x. Our estimates imply ~12 months liquidity runway before Tilray would need to raise additional equity authorized under the ATM program. Further funds would be required to address the TLRY 5% 10/1/23s at maturity.

We initiate our coverage of TLRY 5% 23s with a 'Neutral' rating within our convertible coverage universe. We will continue to monitor production and pricing trends to assess whether Tilray's regional and product strategies can mitigate our concerns surrounding oversupply. Additionally, while we recognize the attractive upside optionality of international and US-CBD market growth, we identify the need for additional funding to get more comfortable with estimated cash burn in the near to medium-term.

	Amt Out (US\$ MM)	Mid Price	Mid YTW	Conv. Price	TLRY US Price
TLRY 5% 10/1/2023	278	66.0	21.76%	\$167.41	\$8.87

Source: Equity information sourced from Bloomberg. Convertible pricing as of December 3, 2020

Background:

- Tilray Inc (Tilray) is a Canadian-based cannabis company focused on research, cultivation, processing and distribution of medical and consumer cannabis and hemp products in Canada and globally (NASDAQ: TLRY)
 - Tilray currently supplies products to fifteen (15) countries across five (5) continents through wholly-owned subsidiaries in Australia, Canada, Germany, Latin America and Portugal, including:
 - Manitoba Harvest (Minneapolis, MN), High Park Company (Toronto, Ontario), Tilray Australia and New Zealand (Sydney, Australia), Tilray Canada (B.C., Canada), Tilray Europe (Germany) and Tilray Latin America (Chile)
 - The company is permitted to sell medical and adult-use cannabis and cannabis products (edibles, beverages, vapes, etc.) in Canada (Canadian Cannabis Act), EU-GMP certified for production of medical cannabis in both its Canadian and Portuguese-based facilities, and licensed to commercially produce medical cannabis in Chile
 - Tilray's current production and manufacturing footprint totals 3.3 mm square feet, comprised of 0.7 mm square feet in Canada and 2.6 mm square feet in Portugal
 - An additional 3.5 hectares (0.4 mm square feet) of greenhouse is currently under construction in Portugal (Cantanhede), which is expected to be completed by YE20

Production Facilities	Size (mm sq ft)	EU-GMP Certified	Description
Domestic			
Canada	0.7	Yes	Production/manufacturing facility
International			
Alentejo, Portugal	2.2	Yes	Outdoor production
Cantanhede, Portugal	0.5	Yes	Greenhouse/Outdoor production (1:4)
Total	3.3		

○ *Revenue Breakdown (3Q20):*

- By Geography: 57% Canada, 26% United States, 16% International
- By Segment: 61% Cannabis (41% Dried Cannabis, 20% Cannabis Extracts), 39% Hemp Products, 0% Accessories and Other
- By Distribution Channel: 39% Adult-Use, 22% Medical (6% Canada, 16% International), 39% Hemp, 0% Bulk

Comparable Credits:

US\$MM	Aphria	Aurora Cannabis	Tilray	Trulieve Cannabis Corp
Region	Canada/ Int'l	Canada/ Int'l	Canada/ Int'l	US / Canada
Bond Ticker	APHACN	ACBCN	TLRY	TRULCN
Coupon	5.25%	5.50%	5.00%	9.75%
Maturity	6/1/2024	2/28/2024	10/1/2023	6/18/2024
Currency	USD	USD	USD	USD
Amt Out (US\$MM)	259	345	475	130
Maturity Type	Convertible	Convertible	Convertible	Fixed
Rank	Sr Unsecured	Sr Unsecured	Sr Unsecured	Secured
Mid Px	111.0	77.5	66.0	105.7
Mid YTW	1.97%	14.56%	21.76%	7.87%
Equity Ticker	APHA US	ACB US	TLRY US	TCNNF US
Share Px	8.42	10.99	8.87	30.05
Shares Outstanding	299	141	134	58
Market Cap	2,514	1,553	1,184	3,871
Minority Interest	32	-	-	-
Net Debt	71	371	399	60
TEV	2,617	1,923	1,583	3,931
Financial and Operating Results (US\$MM)	LTM 1Q21 (1)	LTM 1Q21 (1)	LTM 3Q20	LTM 3Q20
Net Revenue	418	202	201	430
Adj. EBITDA	19	(164)	(61)	222
<i>Adj. EBITDA margin</i>	<i>5%</i>	<i>(81%)</i>	<i>(30%)</i>	<i>52%</i>
Working Capital	(118)	(69)	(76)	(34)
Capex	(82)	(196)	(63)	(81)
Lease Liabilities	(1)	(5)	(5)	(5)
Free Cash Flow (excl. interest and tax paid)	(181)	(434)	(205)	103
Cash	307	113	155	193
Accounts receivable (2)	63	56	25	-
Liquidity	370	169	180	193
Total Debt	378	484	554	253
Net Debt	71	371	399	60
Cash to LTM Revenue	73%	56%	77%	45%
Liquidity to LTM Revenue	88%	84%	90%	45%
Gross Leverage	19.4x	NM	NM	1.1x
Net Leverage	3.6x	NM	NM	0.3x
TEV / LTM EBITDA	NM	NM	NM	17.7x
2021 BBG Consensus Estimates (3)				
Revenue	584	258	294	783
EBITDA	77	(4)	13	355
<i>EBITDA margin</i>	<i>13%</i>	<i>(1%)</i>	<i>4%</i>	<i>45%</i>
TEV / EBITDA (4)	34.0x	NM	NM	11.1x

Comparable Credits (Continue):

US\$MM	Aphria	Aurora Cannabis	Tilray	Trulieve Cannabis Corp
2022 BBG Consensus Estimates (3)				
Revenue	707	346	394	971
EBITDA	138	35	39	466
EBITDA margin	20%	10%	10%	48%
TEV / EBITDA (4)	19.0x	54.8x	35.2x	8.4x
2023 BBG Consensus Estimates (3)				
Revenue	769	451	570	1,249
EBITDA	181	92	98	667
EBITDA margin	24%	20%	17%	53%
TEV / EBITDA (4)	14.5x	20.9x	14.1x	5.9x

Source: Equity information sourced from Bloomberg. Convertible pricing as of December 3, 2020

(1) APHACN reflects 1Q21 (end Aug '20) reporting period, ACBCN reflects 1Q21 (end Sept '20)

(2) Trulieve generates revenue entirely through cash transactions and therefore has no accounts receivable

(3) Based on Calendar Year (end December 31st). Reflects BBG consensus as of 12/1/2020

(4) Pro-forma TEV / EBITDA for Tilray accounts for the recent US\$197 mm convertible bond exchange

3Q20 Operating and Financial Results:

- **Cannabis:**
 - Harvested cannabis decreased 43% y/y but increased 31% q/q to 8,903 kg at an average cost per gram of US\$4.23 (+86% y/y, +105% q/q)
 - Harvested cannabis changes y/y and q/q were attributable to the closure of Tilray's High Park Gardens facility and timing of harvests in Portugal
 - Average cannabis net cost per gram increased y/y and q/q, reflecting the discontinuation of bulk sales and expansion of higher-cost dried-flower tied to Tilray's premium product offerings (Cannabis 2.0)
 - We note average cost in the prior quarter (2Q20) was significantly lower as a result of the inclusion of bulk sales related to a one-time settlement of a supply contract
 - Excluding this, 2Q20 average cannabis cost per gram would have been US\$3.42
 - Tilray closed its High Park Gardens facility (Leamington, Ontario) in May 2020, which has since been reclassified under assets held for sale on the balance sheet
 - The sale of the facility is anticipated to occur within the next twelve (12) months
 - Management noted adjustment to Tilray's cultivation methods since the closure of the facility have resulted in a 42% y/y improvement in yields
 - Sales of cannabis decreased 53% y/y and 55% q/q to 5,107 kg at an average net selling price per gram of US\$6.15 (+89% y/y, +133% q/q)
 - Cannabis sales' decline y/y and q/q was driven almost entirely by the elimination of bulk cannabis sales
 - As a result, sales in 3Q20 were 90% comprised of mid-to-high potency categories, again, reflecting Tilray's shift to more premium product offerings
 - Average net cannabis selling price improvements y/y and q/q reflected shift in distribution channels, product mix, and sales, with a focus on growth of international

medical sales, prioritization of higher potency, and growth of Cannabis 2.0 within its Canadian adult-use markets

- Excluding the impact of the aforementioned one-time settlement, average net cannabis selling price in the prior quarter (2Q20) would have been US\$5.03
- *Hemp:*
 - Sales of hemp products increased 25% y/y but decreased 35% q/q to 2,431 thousand units at an average gross selling price per unit of US\$8.22 (+2% y/y, +37% q/q)
 - Hemp sales increased y/y and q/q following large format retail promotions and acceleration of ecommerce sales resulting from COVID-19
- Inventory decreased 19% y/y and 3% q/q to US\$90 mm and inventory days, totaling 236, decreased 17% y/y but increased 5% q/q
 - We exclude inventory valuation adjustments related to cost of goods sold in our evaluation of inventory days
 - For reference, the company recorded a US\$13 mm inventory charge in 3Q20, comprised of a write down in valuation of existing inventory (US\$8 mm) and payments related to settlement of the aforementioned supply contract (US\$5 mm)
 - Future purchase commitments related to the terminated contract total US\$17 mm
 - We note the table below reflects aggregate inventory (cannabis and hemp), providing a relative, but not like-for-like basis, comparison with similar cannabis producers, Aphria Inc. (APHACN) and Aurora Cannabis Inc. (ACBCN)
 - We will continue to monitor, as we do with other cannabis names we cover, the rate of inventory days as a metric for evaluating both Tilray's internal supply management, as well as demand across its participating markets, particularly Canada

TLRY (US\$MM)	3Q20	2Q20	1Q20	4Q19	3Q19	y/y	q/q
Kilograms equivalents harvested - cannabis	8,903	6,781	9,532	14,778	15,498	(43%)	31%
Average cost per gram - cannabis	4.23	2.06	3.97	n/a	2.28	86%	105%
Kilograms equivalents sold - cannabis	5,107	11,430	5,794	15,039	10,848	(53%)	(55%)
Average net selling price per gram - cannabis	6.15	2.64	5.28	8.78	3.25	89%	133%
Thousand units sold - hemp products	2,431	3,732	1,878	2,182	1,946	25%	(35%)
Average gross selling price per unit - hemp products	8.22	6.00	11.35	n/a	8.04	2%	37%
Raw materials	15	11	20	16	5	186%	43%
Work-in-process	60	70	63	54	81	(26%)	(15%)
Finished goods	15	12	13	18	24	(38%)	22%
Total Inventory	90	93	96	88	110	(19%)	(3%)
Total COGS (1)	34	37	37	36	35	(2%)	(8%)
Inventory Days	236	225	231	219	284	(17%)	5%

(1) Excludes cost of goods sold related to inventory valuation adjustments

- As of Tilray's 3Q20 earnings call, the company had a total of ~1,250 adult-use stores open in Canada, exceeding their original end-FY20 estimate of 800-1,200 stores
- Net revenue increased 1% y/y and 2% q/q to US\$51 mm on higher adult-use revenues, which were balanced by lower medical cannabis sales in Canada and the planned discontinuation of bulk cannabis sales, in lieu of higher margin products

- Cannabis net revenues of US\$31 mm were 11% lower y/y but 4% higher q/q, with the majority (63%) derived from adult-use (v. 45% in 3Q19)
 - Adult-use (consumer) cannabis revenues increased 26% y/y and 15% q/q to US\$20 mm, following the launch of more premium product offerings (i.e. Cannabis 2.0), increased retail presence, and a change in pricing strategy
 - We note Cannabis 2.0 products now account for ~19% of adult-use sales
 - Medical cannabis revenues of US\$11 mm increased 19% y/y, reflecting growth of international medical cannabis sales, but decreased 6% q/q, driven almost entirely by the reduction of medical cannabis sales in Canada as a result of COVID-19
 - Canadian medical cannabis revenues decreased 14% y/y and 13% q/q to US\$3mm, and accounted for 11% of total cannabis revenues (v. 39% in 3Q19)
 - As seen with other Canadian-based cannabis producers, the y/y and q/q decline in Canadian medical cannabis revenues was driven largely by COVID-19
 - International medical cannabis revenues increased 42% y/y but decreased 3% q/q to US\$8 mm, comprising 26% of total cannabis revenues (v. 16% in 3Q19)
 - The y/y increase reflects Tilray's ongoing expansion into international and, in particular, European markets
 - The q/q decrease is explained by a 4-6 week Cannabis import/export limit imposed in Germany, tied to International Narcotics Control Board (INCB) quotas and COVID-related administrative delays on import permits
 - Management noted a portion of these sales were recognized later in the quarter, with the remainder pushed out to 4Q20
 - Bulk cannabis sales have been discontinued and, as a result, the company reported no bulk cannabis revenues in the quarter v. 3Q19 (US\$10 mm) and 2Q20 (US\$0.4 mm)
 - We note bulk sales accounted for 28% of total cannabis revenues in the prior year period
 - Hemp revenues increased 28% y/y and decreased 1% q/q to US\$20 mm, with y/y improvements attributable to increased promotional activity in large-format retail and increased e-commerce sales in response to COVID-19
- Adjusted EBITDA reached near break-even levels (-US\$2 mm), an improvement both y/y and q/q, reflecting the ongoing realignment of Tilray's operating and cost structures and improved revenue mix
- Cash burn of US\$20 mm narrowed q/q, driven by improvements in profitability and lower working capital use, balanced by higher capex
 - Interest paid decreased 71% q/q to US\$2 mm
 - Working capital use of US\$3 mm reflects a US\$5 mm increase in inventory, US\$2 mm increase in prepayments and other assets and a US\$2 mm decrease in accrued expenses and other current liabilities, balanced by a US\$2 mm decrease in A/R and US\$4 mm increase in accounts payable

- Capex of US\$12 mm was 29% higher q/q, which we attribute primarily to the construction of Tilray's Portuguese cultivation facility
- Lease liability payments were flat q/q at US\$1 mm
- Cash (cash and equivalents + ST marketable securities) increased 13% q/q to US\$155 mm (77% cash to LTM revenue) on US\$45 mm in proceeds received from Tilray's ATM (equity) program in 3Q20
- Liquidity (cash + A/R) increased 10% q/q to US\$180 mm (90% liquidity to LTM revenue)
 - The company has an additional US\$209 mm remaining from the ATM program and US\$10 mm undrawn from its CAD-denominated senior secured facility
- Net Debt decreased 4% q/q to US\$399 mm, driven by the increase in cash
 - Debt is comprised of the US\$475 mm senior unsecured convertible TLRY 5% 23s, a US\$46 mm Senior Facility and US\$33 mm in accrued lease obligations
 - The CAD-denominated Senior Facility totals US\$59.6 mm (CAD 79.8 mm), of which US\$49.7 mm (CAD 66.5 mm) has been drawn as of Feb '20
 - Following amendments, the additional US\$9.9 mm undrawn portion will be made available only at the lender's discretion. In exchange, interest on the Senior Facility will not be due until its maturity
 - Additionally, the credit agreement allows for the sale of Tilray's High Park Garden facility, with Tilray entitled to retain 60% of any sales proceeds (net of all expenses), and the remaining 40% designated toward repayment of principal on the Senior Facility
 - The High Park Gardens facility (Leamington, Ontario), operated through wholly-owned subsidiary Natura Naturals Inc., was permanently closed on May 26, 2020 and is expected to result in annualized net savings of US\$6 mm as well as savings relating to capex

TLRY (US\$MM)	3Q20	2Q20	1Q20	4Q19	3Q19	y/y	q/q
Cannabis revenue	31	30	31	28	35	(11%)	4%
Hemp revenue	20	20	21	19	16	28%	(1%)
Net Revenue	51	50	52	47	51	1%	2%
Adjusted EBITDA	(2)	(12)	(19)	(29)	(37)	(96%)	(87%)
<i>Adjusted EBITDA margin</i>	<i>(3%)</i>	<i>(24%)</i>	<i>(36%)</i>	<i>(61%)</i>	<i>(73%)</i>	<i>6,990bps</i>	<i>2,133bps</i>
Interest Paid	(2)	(7)	(1)	(11)	(6)	(63%)	(71%)
Taxes Paid	(0)	-	-	(0)	-	-	-
Working Capital	(3)	(13)	(25)	(36)	(16)	(84%)	(80%)
<i>Accounts receivable</i>	2	11	(2)	(8)	(5)	-	(83%)
<i>Inventory</i>	(5)	(9)	(12)	(29)	(35)	(87%)	(51%)
<i>Prepayments and other current assets</i>	(2)	(1)	7	8	(23)	(91%)	253%
<i>Accounts payable</i>	4	(1)	(15)	(19)	39	(90%)	-
<i>Accrued expenses and other current liabilities</i>	(2)	(13)	(3)	12	7	-	(85%)
Capex	(12)	(9)	(18)	(23)	(24)	(51%)	29%
Lease Liability Payments	(1)	(1)	(1)	(2)	(1)	57%	0%
Free Cash Flow	(20)	(43)	(64)	(100)	(84)	(77%)	(54%)
Cash (1)	155	137	174	97	122	27%	13%
Accounts receivable	25	27	38	36	39	(36%)	(7%)
Liquidity (3)	180	164	212	133	161	12%	10%
Accrued lease obligations	33	32	32	32	9	258%	4%
Senior facility	46	45	44	-	-	#DIV/0!	3%
Convertible notes (3)	475	475	475	475	475	0%	0%
Total Debt	554	552	551	507	484	14%	0%
Net Debt	399	414	377	410	362	10%	(4%)

TLRY (US\$MM)	3Q20	2Q20	1Q20	4Q19	3Q19	y/y	q/q
LTM Net Revenue	201	201	196	167	136	48%	0%
LTM Adj. EBITDA	(61)	(97)	(103)	(98)	(83)	(26%)	(37%)
LTM Gross Leverage	NM	NM	NM	NM	NM	-	-
LTM Net Leverage	NM	NM	NM	NM	NM	-	-
Cash to LTM Revenue	77%	68%	89%	58%	90%	(1,299bps)	885bps
Liquidity to LTM Revenue	90%	82%	108%	80%	119%	(2,935bps)	793bps

(1) Includes cash and cash equivalents and ST investments

(2) Excludes US\$209 mm remaining available balance from ATM program

(3) Convertible debentures valued at par

Post-3Q20 Events and Guidance:

- **International Segment:**
 - Portugal: Construction of Tilray's EU-GMP certified Portuguese cultivation facility is expected to be completed by end-4Q20, adding another 3.4 hectares (0.4 mm square feet) of greenhouse space at a total cost below the originally budgeted US\$33 mm
 - France: Tilray has applied to participate in a 3,000 patient medical cannabis trial in France, which would allow Tilray, if approved, to supply medical cannabis that complies with pharmaceutical standards (incl. EU-GMP), with the first prescriptions expected to occur in early 2021
 - Netherlands: Tilray also recently applied for 1/10 licenses that will be awarded for participation in "The Controlled Cannabis Supply Chain Experiment", intended to evaluate whether/how cannabis can be legally supplied to coffee shops
- **Average Selling Price Per Gram – Cannabis:** The company expects prices to remain stable or increase over time in line with growth of its International medical cannabis segment
- **Revenue:** Guidance was not provided. However, we anticipate additional revenue could come through in 4Q20 related to the lost sales recorded in 3Q20 from Tilray's international medical cannabis segment as a result of the aforementioned delays in Germany
 - Medium-term, the company expects revenue generation will shift more towards cannabis, with growth in international medical cannabis, while hemp (Manitoba Harvest) is expected to remain relatively flat, pending catalysts such as clarity from the FDA on CBD in the US
 - As noted above, the current revenue mix is comprised of 61% Cannabis and 39% hemp revenue
- **Gross Margin:** Cannabis gross margins are expected to expand on improvements to cost structure and throughput (v. 33% in 3Q20), while hemp gross margins are expected to range from the mid to high 30%-40% range (v. 43% in 3Q20)
- **Adj. EBITDA:** Management aims to achieve breakeven or positive adj. EBITDA by 4Q20, reflecting lower costs at facilities tied to cost-cutting, improved throughput and fixed-cost absorption, and utilization of low-cost third-party suppliers as needed
- **Cash Flow:** The company estimates US\$30-33 mm in cash flow requirements in 4Q20, assuming no further impact from COVID-19, and including operating cash (US\$8-10 mm), interest and principal repayments (~US\$15 mm) and capex (US\$7-8 mm), which assumes completion of Phase 2 of the Portugal facility by YE20

- Based on the following, we estimate ~12 months liquidity runway before Tilray would need to draw upon the remaining availability of the ATM program, and that further capital will be needed to address the TLRY 5% 10/1/23 maturity
 - Annual revenue and adj. EBITDA in line with BBG consensus (as shown in the “Comparable Credits” table above), which we assume is predicated on operating improvements and industry consolidation
 - Annual interest of US\$18 mm, reflecting reduced annual interest in line with management’s anticipated US\$9.8 mm reduction (v. FY19) following the convert exchange
 - Tax and lease liability payments in line with historical results (FY19)
 - Working capital and capex at the average FY19/20 rate for 18 months, trailing off through FY23, in anticipation of capital requirements toward international expansion and/or US-CBD ramp-up
- *Total Debt:* Accounting for Tilray’s recent (November ’20) exchange, we anticipate pro-forma total debt will be US\$357 mm (net debt US\$202 mm), a significant improvement relative to 3Q20
 - In late November ’20, Tilray completed the exchange of an aggregate US\$197.14 mm of its TLRY 5% ’23 senior unsecured convertible bonds for its common stock (TLRY US), effectively reducing its annual cash interest costs by US\$9.8 mm and total outstanding convertible bond balance to US\$277.86 mm
 - The initial US\$124.24 mm principal amount was repurchased at a 36% discount to face value (equivalent to conversion price of US\$7.36/share), in exchange for 10.9 mm shares of Class 2 common stock

Following, an additional US\$72.9 mm principal amount was repurchased at a 42% discount to face value (equivalent to a conversion price of US\$6.68/share), in exchange for 6.4 mm shares of Class 2 common stock

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"Market Outperform" – The bond's total return is expected to exceed the total return of the J.P. Morgan Corporate Emerging Markets Bond Index series ("CEMBI") Broad Diversified High-Yield Index over the next 3 – 6 months.

"Market Perform" – The bond's total return is expected to be in line with the total return of the CEMBI Broad Diversified High-Yield Index over the next 3 – 6 months.

"Market Underperform" – The bond's total return is expected to be below the total return of the CEMBI Broad Diversified High-Yield Index over the next 3 – 6 months.

"Not Rated" or no comment – Currently, the analyst does not have adequate conviction about the bond's total return relative to the CEMBI Broad Diversified High-Yield Index over the next 3 – 6 months.

Quasi Sovereign Universe

"Market Overweight" – The spread of the bond to its similarly duration sovereign controller bond is expected to decrease over the next 3 – 6 months.

"Market Weight" – The spread of the bond to its similarly duration sovereign controller bond is expected to remain unchanged over the next 3 – 6 months.

"Market Underweight" – The spread of the bond to its similarly duration sovereign controller bond is expected to increase over the next 3 – 6 months.

"Not Rated" or no comment – Currently, the analyst does not have adequate conviction about the bond's spread to its similarly duration sovereign controller bond over the next 3 – 6 months.

High Octane Universe

"Speculative Buy" – Bonds that in our view have an equity investment risk profile and we think risk/return is significantly skewed to the upside

"Positive" – Bonds that in our view have an equity investment risk profile and we think risk/return is skewed to the upside

"Neutral" – Bonds that in our view have an equity investment risk profile and we think risk/return is balanced

"Negative" – Bonds that in our view have an equity investment risk profile and we think risk/return is skewed to the downside

"Speculative Sell" – Bonds that in our view have an equity investment risk profile and we think risk/return is significantly skewed to the downside

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