Corporate Credit > U.S. Investment Grade

Owens Corning

Updated: Oct 2, 2015

Trade Idea:

- Buy: OC 4.2% of December 2024 (IG Building Materials), notes offer attractive valuations vs. other BBB industrials

Investment Rationale:

- OC is expected to benefit from growth in U.S. residential new construction, improved pricing and operating leverage, as a result we expect the trajectory of spreads to be tighter and outperform Cap Goods sector
- OC's diverse product mix provides significant leverage to starts as well as improving profitability due to raw material deflation in the roofing business
- 2015 Guidance - Insulation is still expected to "benefit from growth in U.S. residential new construction, improved pricing and operating leverage". In Composites, OC raised its EBIT improvement by $15 million to a $60 million improvement (inclusive of $25 million negative impact from FX). In Roofing, OC continues to expect full year U.S. shingle market demand to be "in-line with last year".

Recommendation(s):

View	Trade Horizon	Ticker	CPN	Maturity	Ratings		CCY	Issue Size	Yield	Spread			Cash Price	ISIN
					S&P	Moody's				Entry	Target	Loss		
Outperform	3/1/16	OC	4.2%	12/01/2024	BBB-	Ba1	USD	400	4.27	240	200	275	98.5	US690742AE13