MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns a Baa3 issuer rating to Amadeus IT Holding S.A.; outlook stable

Global Credit Research - 14 Jun 2011

First time ratings

London, 14 June 2011 -- Moody's Investors Service has today assigned a Baa3 long-term issuer and senior unsecured rating to Amadeus IT Holding S.A. ('Amadeus', or 'the company'). The outlook on the ratings is stable.

RATINGS RATIONALE

This is the first time that Moody's has assigned ratings to Amadeus. The Baa3 long-term issuer rating reflects the company's leading position in the market for Global Distribution Services (GDS) providers, and its generally resilient profitability compared with the airline industry which it serves, as its profits are driven more by transaction volumes than by yields. The company's profile is also supported by its smaller, albeit higher-margin, IT solutions business, which is deemed to have fairly high barriers to entry. While revenues in 2010 were only marginally higher than in 2007, mainly due to a downturn in passenger volumes in the interim years followed by a recovery in 2010, the company's reported EBITDA from continuing operations grew from EUR864 million in 2007 to EUR976 million in 2010.

The rating also reflects the company's ability to generate significant free cash flows which it has used partly for debt reduction, which Moody's expects will occur in the current year as well. The company has publicly indicated a reported net debt/EBITDA target of 1.5-2.0x, which Moody's believes is commensurate with its rating and business profile. The rating also factors in a number of challenges inherent in the GDS industry, notably the risk of further disintermediation by airlines, as well as pricing pressure from travel agencies. Moody's nevertheless believes that Amadeus has withstood these pressures thanks to significant investments in its technology platforms, which have also underpinned its IT solutions business.

Following its IPO in April 2010, Amadeus is listed on the Madrid stock exchange, while its founding airlines (Iberia, Lufthansa and Air France) retain a c.30% stake. A further 16% is held by its private equity owners, which Moody's expects will be divested over time. As of FYE2010, and on a pro forma basis for the expected debt pay-down using proceeds from the pending sales of its on-line travel agency subsidiary, Opodo, and adjusted for the IPO transaction costs, Moody's estimates gross adjusted leverage to be at c.2.8x, such that our current rating factors in some further deleveraging in the course of 2011. In the first quarter of 2011, the company reported a 6.8% increase in recurring EBITDA, and a further reduction in net debt.

In May 2011, Amadeus refinanced its existing credit facilities that had been in place during its private ownership with new senior unsecured credit facilities amounting to EUR2.7 billion. Moody's views the company's liquidity as solid over the next 12-18 months, on the basis of this refinancing, the company's existing cash balance of EUR584 million as of end-March 2011, and its generally strong free cash flow generation. Our liquidity analysis makes several assumptions, notably that the company will amortise term loan C (EUR400 million) using the cash proceeds from the Opodo sale before that loan's maturity in May 2012, although Moody's does not believe that the company's liquidity is dependent on this. Similarly our assessment assumes that term loan B (EUR1.2 billion) will be refinanced well in advance of its two-year maturity date.

The stable outlook reflects Moody's expectation that the company will pursue a conservative financial policy, as evidenced by its stated target to retain a reported net debt/EBITDA ratio between 1.5-2.0x. Based on metrics to date, this would imply some further debt reduction, which Moody's believes the company will achieve given its track record of free cash flow generation. Positive pressure on the rating or outlook could be considered if adjusted gross leverage were to remain below 2x with adjusted Retained Cash Flow (RCF) to Net Debt remaining above 30% on a sustained basis, with continued free cash flow generation and stable industry conditions. Conversely, the rating or outlook could come under negative pressure if adjusted gross leverage were to remain above 2.5x on a sustained basis. The latter could either be due to a change in financial policy, or a significant weakening in industry dynamics, such as the failure to successfully renew key airline contracts.

The principal methodology used in rating Amadeus IT Holding SA was the Global Business & Consumer Service Industry Rating Methodology, published October 2010.

Amadeus IT Holding S.A. is a Global Distribution Systems (GDS) provider which offers technology solutions to travel providers and agencies, as well as IT solutions to airlines, such as reservations, inventory management and other operational processes at airports. In 2010 to December, the company reported revenues and recurring EBITDA from continuing operations and before exceptional items of EUR2.6 billion and EUR976 million, respectively.

REGULATORY DISCLOSURES

Information sources used to prepare the credit rating are the following: parties involved in the ratings, parties not involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

Moody's Investors Service considers the quality of information available on the issuer or obligation satisfactory for the purposes of assigning a credit rating.

The rating has been disclosed to the rated entity or its designated agents and issued with no amendment resulting from that disclosure.

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Please see the Credit Policy page on Moodys.com for the methodologies used in determining ratings, further information on the meaning of each rating category and the definition of default and recovery.

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