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Ratings

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Amadeus IT Group S.A.

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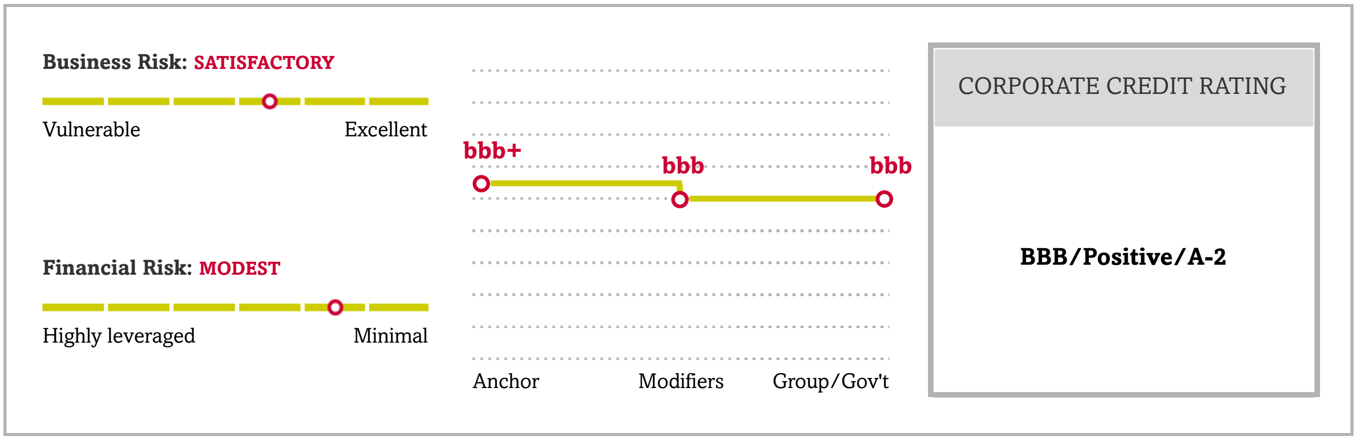
Amadeus IT Group S.A.



Rationale

Business Risk: Satisfactory	Financial Risk: Modest
• Leading positions in Europe and several emerging markets in the global distribution systems (GDS) industry. • Solid and growing positions as an information technology (IT) service provider to the global travel industry. • High barriers to entry in GDS and IT services, thanks to medium-to-long-term contracts. • Highly competitive markets. • Continuing disintermediation in travel distribution.	• Moderate financial policy. • Our expectation of solid free and discretionary cash flow.

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Outlook: Positive

S&P Global Ratings' positive outlook on global transaction processor for the travel industry Amadeus IT Group S.A. reflects there is an at least a one-in-three possibility that we could raise the ratings over the next 12-24 months if the company maintains low debt and a conservative financial policy in terms of shareholder remunerations and leveraged acquisitions. Consequently, we could revise our financial policy modifier to neutral from negative, if debt to EBITDA is consistently below 2.0x, funds from operations (FFO) to debt exceeds 45%, and free operating cash flow (FOCF) to debt is above 25%.

Upside scenario

An upgrade would hinge on Amadeus' ability to achieve FFO to debt above 45% with debt to EBITDA remaining below 2.0x and FOCF to debt above 25%, and its ensuing adjustment of its appetite for acquisitions and shareholder remuneration. We would also look for continued organic growth, stable or slightly improving profitability, and the smooth integration of newly acquired companies.

Downside scenario

We could revise the outlook to stable and/or lower the ratings on Amadeus if weaker-than-anticipated operating performance, or larger-than-expected acquisitions or shareholder returns, resulted in adjusted debt to EBITDA of more than 2.5x or adjusted FOCF to debt of less than 25% for a sustained period.

Our Base-Case Scenario

Our base-case scenario of at least 6%-8% revenue growth for Amadeus will result in steady earnings growth over the next 12-24 months.

Assumptions

- Revenue growth of about 7%-9% in 2016 and 5%-7% in 2017, pro forma for Navitaire, supported by continued volume growth and market-share gains in the company's GDS segment and about 15% growth in its IT solutions segment.
- Capital expenditures (capex) of about 12% to 14% of revenues, annually.
- A dividend payout of about 50% of net income, at the higher-end of Amadeus' public guidance.
- Our assumption of bolt-on acquisitions of about €150 million annually.

Key Metrics

	2015a	2016e	2017e
Debt to EBITDA (x)	1.6	1.8–2.0	1.5–1.7
FFO to debt (%)	45.7	35–40	40-45
FOCF to debt (%)	29.7	32–37	38-43

a--Actual. e--Estimate.

Company Description

Amadeus, together with its subsidiaries, operates as a transaction processor for the travel and tourism industry in more than 195 countries worldwide.

The company operates through two segments, Distribution and IT Solutions. The Distribution (GDS) segment (60% of 2015 EBITDA) provides the reservations platform, a network that connects travel providers, such as full service and low-cost airlines, hotels, rail operators, cruise and ferry operators, car rental companies, tour operators, and insurance companies with online and offline travel agencies facilitating the distribution of travel products and services. This segment also offers technology solutions, such as desktop and e-commerce platforms, and mid- and back-office systems to its travel agency customers and corporations. The IT Solutions segment (40% of 2015 EBITDA) provides a portfolio of technology solutions that automate certain mission-critical business processes, including reservations, inventory management, and other operational processes for travel providers, while also offering direct distribution technologies.

Amadeus was founded in 1987 and is headquartered in Madrid, Spain. Amadeus' shares are listed on the Madrid Stock Exchange with 99.41% free float.

Business Risk: Satisfactory

Our assessment of Amadeus' business risk profile as satisfactory takes into account the company's solid market position as an IT service provider to the global travel industry, with leading positions in Europe and several emerging markets. In essence, a GDS like Amadeus acts as an intermediary between travel suppliers (including airlines, hotels, and car rental companies) and travel agencies, online travel agencies and corporations. As such, it gathers inventory information (such as airline seats and hotel rooms) from those suppliers. Amadeus generates revenues from booking fees paid by travel suppliers and fees charged for hardware and software used by travel agencies. Although the GDS market is substantially consolidated, with three major players, the market is highly competitive, and some of its customers (commercial airlines) continue to exert pressure on fees and push for alternative distribution platforms. Amadeus' IT business is a faster growing segment, as airlines seek to cut costs and increase productivity. Still, the GDS segment is still the dominant of the two in terms of size.

Amadeus' operating profitability, measured by EBITDA, demonstrates relatively low volatility, and its margins are markedly stronger than for main peers, Sabre Holding and Travelport. In addition, the company benefits from high barriers to entry in global travel distribution systems and IT services, which operate under medium- to long-term contracts. We also believe that the recent acquisition of Navitaire will strengthen Amadeus' business risk profile by enabling it to expand into the low-cost-carrier and hybrid markets, under the IT solutions segment, while also offering integration opportunities for both the Altéa and New Skies customers, and expanding its geographic reach in the Americas.

Our business risk profile assessment also incorporates our view of the travel industry's intermediate risk and intermediate country risk, with about 40% of revenues generated in Western Europe, 18% in Asia-Pacific, 17% in North

America, 12% in the Middle East and Central Europe, and the remainder in Latin America and Southern Europe.

Our Base-Case Operating Scenario

- To arrive at our revenue estimate, we start with our estimated global GDP forecast. We then apply a multiplier (typically between 1.3x and 1.6x) to estimate air traffic growth (based on the historic relationship between the two). From air traffic, we apply a disintermediation (shift towards direct channels) in order to estimate the GDS industry growth figure.
- We expect low-single-digit revenue growth for the GDS segment (2%-3%) and about 10% growth in the IT solutions segment for 2016 and 2017.
- We anticipate a broadly stable S&P Global Ratings-adjusted EBITDA margin of about 30%, albeit with pressure on the 2016 margin given the integration of Navitaire.

Peer comparison

Table 1

Amadeus IT Group S.A. -- Peer Comparison

Industry Sector: Leisure Time

	Amadeus IT Group S.A.	Sabre Holdings Corp.	Travelport Worldwide Ltd.	Cap Gemini S.A.	Equifax Inc.
Rating as of Sept. 19, 2016	BBB/Positive/A-2	BB-/Stable/--	B+/Stable/--	BBB/Stable/--	BBB+/Stable/A-2
(Mil. €)	**--Fiscal year ended Dec. 31, 2015--**				
Revenues	3,912.7	2,243.8	1,775.4	11,915.0	2,045.8
EBITDA	1,178.5	634.9	371.1	1,590.0	750.0
Funds from operations (FFO)	852.9	405.2	134.3	1,218.0	509.7
Net income from continuing operations	683.9	112.6	(18.8)	1,124.0	313.5
Cash flow from operations	890.4	330.9	122.6	1,196.0	543.1
Capital expenditures	193.9	191.2	84.7	198.0	88.8
Free operating cash flow	696.5	139.7	38.0	998.0	454.3
Discretionary cash flow	389.2	96.2	21.5	800.0	349.9
Cash and short-term investments	711.7	216.0	123.1	2,066.0	121.0
Debt	1,867.1	3,088.7	2,358.9	3,902.5	1,182.1
Equity	2,297.5	(58.6)	(509.3)	6,913.0	1,903.0
Adjusted ratios					
Annual revenue growth (%)	14.5	12.5	3.4	12.7	9.3
EBITDA margin (%)	30.1	28.3	20.9	13.3	36.7
Return on capital (%)	20.6	11.8	7.9	12.8	16.5
EBITDA interest coverage (x)	19.8	2.9	1.7	9.0	11.6
FFO cash interest coverage (x)	17.1	3.5	1.7	36.7	10.6
Debt/EBITDA (x)	1.6	4.9	6.5	2.5	1.6

Table 1

Amadeus IT Group S.A. -- Peer Comparison (cont.)					
FFO/debt (%)	45.7	12.7	5.3	31.2	42.9
Free operating cash flow/debt (%)	37.3	4.3	1.4	25.6	38.1
Discretionary cash flow/debt (%)	20.8	3.0	0.8	20.5	29.4
Discretionary cash flow/EBITDA (%)	33.0	14.8	4.9	50.3	46.5

Financial Risk: Modest

Amadeus' modest financial risk profile, in our view, reflects its ability to consistently generate solid free operating cash flow, tempered by relatively high dividend distribution. Our expectation that Amadeus will maintain its EBITDA margins is based on its sound track record of successfully integrating acquisitions and capitalizing on efficiency gains.

As of Dec. 31, 2015, adjusted debt to EBITDA was 1.6x (excluding Navitaire), FFO to debt of 45%, and FOCF to debt of 37%. We expect these ratios will deteriorate slightly in 2016, pro forma for the recent Navitaire purchase, but they should rebound in 2017 to the abovementioned 2015 levels. We remain cautious, however, because Amadeus could use its financial flexibility to pursue additional acquisitions or make additional returns to shareholders versus what we assume in our base case, which could result in somewhat weaker debt metrics.

We anticipate that strong profitability, a relative flexible operating structure, and favorable working capital traits will enable Amadeus to continue generating solid cash flows over 2016-2018.

Our Base-Case Cash Flow And Capital Structure Scenario

- Our expectation of solid operating prospects, enabling Amadeus to maintain an adjusted leverage (debt to EBITDA) ratio below 2.0x in 2016 and 2017.
- Strong cash flow from operations of between €900 million and €975 million in 2016 and 2017.
- Capex of at 12% to 14% of revenues, annually.
- A dividend payout of about 50% of net income, at the higher-end of Amadeus' public guidance.
- Our assumption of bolt-on acquisitions of approximately €150 million annually.

Liquidity: Adequate

The short-term rating on Amadeus is 'A-2'. We assess its liquidity as adequate, based on our estimate that Amadeus' sources to uses will remain above 1.2x over the 12 months started June 30, 2016. We anticipate that net liquidity will be positive even if EBITDA declines by 15%. Furthermore, we believe that Amadeus has a sound standing in both equity and debt capital markets and sound relationships with its banks.

We estimate the following principal liquidity sources over the 12 months started June 30, 2016:

- Cash and equivalents of about €453 million, as of June 30, 2016;
- Available revolving credit facilities of €1 billion maturing in 2020 and 2021 as of June 30, 2016. We understand that about €360 million were drawn in July to repay outstanding bonds maturing; and
- Our expectation of about €1.2 billion of FFO.

We estimate the following principal liquidity uses over the same period:

- Reported short-term financial liabilities of about €785 million and short-term commercial paper of about €310 million;
- Capex of about €565 million;
- Our estimate of acquisitions of about €150 million; and
- Our estimate of dividends of about €350 million.

Debt maturities(as of Dec. 31, 2015):

- 2016: €785 million
- 2017: €482 million
- 2018: €75 million
- 2019: €320 million
- Thereafter: €902 million

Covenant Analysis

Amadeus' existing senior loan is subject to financial covenants, including an obligation to maintain a ratio of net debt to EBITDA below 3.0x and EBITDA interest coverage greater than 3.0x. We believe that it remains compliant with its financial covenants, and we forecast that it should maintain ample headroom over the next 12-24 months, which offers significant leeway for operating underperformance or acquisition activity.

Other Credit Considerations

We apply a one-notch negative financial policy modifier. This reflects our belief that Amadeus' debt-financed acquisitions and shareholder returns could increase the current leverage profile from the company's stated 1.0x-1.5x target, excluding our adjustments.

We assess Amadeus' management and governance as strong. This mainly reflects our view of the company's sound track record in planning, strategy, and execution, as well as the experience of its broad management team.

Ratings Score Snapshot

Corporate Credit Rating

BBB/Positive/A-2

Business risk: Satisfactory

- **Country risk:** Intermediate

- **Industry risk:** Intermediate
- **Competitive position:** Satisfactory

Financial risk: Modest

- **Cash flow/Leverage:** Modest

Anchor: bbb+

Modifiers

- **Diversification/Portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Negative (-1 notch)
- **Liquidity:** Adequate (no impact)
- **Management and governance:** Strong (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Reconciliation

Table 2

Reconciliation Of Amadeus IT Group S.A. Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €)

	--Fiscal year ended Dec. 31, 2015--							
Amadeus IT Group S.A. reported amounts								
	Debt	**Shareholders' equity**	**EBITDA**	**Operating income**	**Interest expense**	**EBITDA**	**Cash flow from operations**	**Capital expenditures**
Reported	2,322.9	2,270.9	1,475.6	1,053.0	57.2	1,475.6	1,272.9	550.1
S&P Global Ratings' adjustments								
Interest expense (reported)	--	--	--	--	--	(57.2)	--	--
Interest income (reported)	--	--	--	--	--	2.6	--	--
Current tax expense (reported)	--	--	--	--	--	(269.3)	--	--
Operating leases	125.6	--	35.7	9.9	9.9	25.8	25.8	--
Postretirement benefit obligations/deferred compensation	39.3	--	2.6	2.6	2.0	1.1	(1.5)	--
Surplus cash	(640.5)	--	--	--	--	--	--	--
Capitalized development costs	--	--	(356.2)	(128.7)	--	(356.2)	(356.2)	(356.2)
Share-based compensation expense	--	--	18.5	--	--	18.5	--	--
Dividends received from equity investments	--	--	2.3	--	--	2.3	--	--

Table 2

Reconciliation Of Amadeus IT Group S.A. Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €) (cont.)								
Non-operating income (expense)	--	--	--	7.8	--	--	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	--	(50.7)	--
Non-controlling interest/Minority interest	--	26.6	--	--	--	--	--	--
Debt - Unamortized capitalized borrowing costs	12.5	--	--	--	--	--	--	--
Debt - Fair value adjustments	7.3	--	--	--	--	--	--	--
Interest expense - Other	--	--	--	--	(9.7)	9.7	--	--
Total adjustments	(455.8)	26.6	(297.2)	(108.6)	2.2	(622.7)	(382.5)	(356.2)
S&P Global Ratings' adjusted amounts								
	Debt	**Equity**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Capital expenditures**
Adjusted	1,867.1	2,297.5	1,178.5	944.4	59.4	852.9	890.4	193.9

Related Criteria And Research

- Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Key Credit Factors For The Leisure And Sports Industry, Mar. 5, 2014
- Key Credit Factors For The Technology Software And Services Industry, Nov. 19, 2013
- Corporate Methodology, Nov. 19, 2013
- Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers, May 7, 2013
- Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	**Modest**	Intermediate	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	**bbb+**	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of September 19, 2016)	
Amadeus IT Group S.A.	
Corporate Credit Rating	BBB/Positive/A-2
Corporate Credit Ratings History	
21-Jul-2016	BBB/Positive/A-2
29-May-2013	BBB/Stable/A-2
13-Jun-2012	BBB-/Positive/A-3
Related Entities	
Amadeus Finance B.V.	
Commercial Paper	
Local Currency	A-2

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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