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June 14, 2011

Research Update:

Global Travel IT Services Group Amadeus IT Holding S.A. Assigned 'BBB-/A-3' Corporate Credit Ratings; Outlook Stable

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Overview

- Global travel IT services group Amadeus, is looking to diversify its funding sources through capital market issuance, smooth out debt maturities, and increase financial flexibility.
- We view Amadeus as having a satisfactory business risk profile and an intermediate financial risk profile.
- We are assigning our 'BBB-/A-3' corporate credit ratings to Amadeus.
- The stable outlook primarily reflects our view that Amadeus' percentage growth in revenues and EBITDA should be in the low-to-mid single digits over the next 12-18 months, supported by a moderate financial policy and resulting in credit measures in line with investment-grade ratings in the medium term.

Rating Action

On June 14, 2011, Standard & Poor's Ratings Services assigned its 'BBB-/A-3' long- and short-term corporate credit ratings to Spain-based global travel IT services group Amadeus IT Holding S.A. The outlook is stable.

Rationale

The ratings on Amadeus primarily reflect the group's business risk profile, which we view as satisfactory, underpinned by:

- Solid competitive positions as a key specialist distribution platform and IT service provider to the global travel industry in Europe and several emerging countries;
- The distribution and airline passenger system sectors' high barriers to entry, thanks to medium- to long-term contracts and a relatively high concentration of players;
- Steady market share gains in the Global Distribution System (GDS) travel sector, which have partly mitigated increasing industry disintermediation; and
- Sound profitability and research and development (R&D) capabilities.

The ratings are also supported by our assessment of Amadeus' financial risk profile as intermediate, based on our expectations for a moderate financial policy and reduced debt leverage over the medium term, strong free and discretionary cash flow generation, and adequate liquidity.

These strengths are partly offset by our view of:

- Disintermediation in travel distribution, which we think will continue in the medium term, albeit at a slower rate than previous years;
- Strong and continuous pressure on Amadeus to maintain steady levels of booking fees. These fees, which have historically been resilient, account for about 65% of group revenues;
- Exposure to the seasonality and cyclicality of the travel industry;
- Exposure to relatively high customer concentration, especially in the ailing airline sector; and
- Amadeus' relatively high proportion of fixed costs, although a significant part of costs vary in line with booking fees.

Our view of Amadeus' satisfactory business risk profile is mostly supported by the group's strong market position in the European travel GDS sector, by its growing positions in the Middle East and Asia Pacific regions, and by its limited exposure to the competitive U.S. GDS market. Amadeus' GDS business accounted for about two-thirds of revenues and a lower proportion of EBITDA in 2010, pro forma for the Opodo disposal.

The satisfactory business risk profile also reflects some degree of operating diversity and healthy revenue growth potential, provided by Amadeus' high-margin IT Solutions business. Moreover, Amadeus posts solid EBITDA margins in excess of 36%--before adjusting for capitalized IT costs--which compares well with peers' margins.

On the financial risk side, we view Amadeus' public unadjusted leverage target of 1.5x to 2x by year-end 2011--computed as per the current bank loan agreements--together with its recent 30% to 40% dividend pay-out target, as supportive of investment-grade ratings. We are mindful, however, that the group's track record in terms of consistency of financial policy is very limited, given its recent 2010 listing on the Madrid stock exchange. The group's leverage--as adjusted by Standard & Poor's--stood at about 3.2x in 2010, and we expect it to decline to slightly under 3x in 2011, or to about 2.5x if the €400 million Opodo disposal is completed. Amadeus' reported and unadjusted net leverage stood at about 2.5x in 2010, with Standard & Poor's main adjustments to reported accounts relating mainly to capitalized IT costs.

Liquidity

We view Amadeus' liquidity as adequate following the recent refinancing of its capital structure, which took place in May 2011. The group has materially improved its debt maturity profile through this refinancing, and has now outstanding:

- A €900 million amortizing facility maturing in 2015;
- A €1.2 billion bridge loan to capital markets maturing at the end of May 2012, but with two extension options of six months each, exercisable at the group's discretion. Amadeus intends to diversify its funding sources by replacing this bridge loan with bonds well in advance of the bridge final maturity date.
- A €400 million bridge loan maturing at the end of November 2011, but with

a six-month extension period similar to the ones mentioned above. We expect this bridge loan to be repaid before the end of 2011, with the equivalent proceeds that the group should receive over the coming months derived from its sale of Opodo, announced earlier in the year. Our expectation is based on the recent approval by EU competition authorities of Opodo's acquisition by online travel company GEO Travel (B+(prelim)/Stable/--).

We expect the company's liquidity sources (including cash, funds from operations, and credit facility availability under the current debt structure) over the next 12 to 18 months to exceed its uses by over 1.5x. Furthermore, even if EBITDA declines 30%, we believe net sources would still exceed cash requirements.

In particular, the company's current liquidity should benefit from:

- Cash balances of about €584 million at the end of March 2011, of which the vast majority is easily accessible and centralized in Spain, mostly owing to the worldwide IATA and International Clearing House payment system;
- Our view that Amadeus' free cash flows should adequately cover its mandatory debt amortization schedule over the next two years. The group generates sound free cash flow, helped by structurally positive working capital changes. The group has modest short-term liabilities in 2011, and about €150 million and €200 million of debt amortization payments are due in 2012 and 2013, respectively, compared with about €300 million of expected annual discretionary cash flow.
- A fully available €200 million revolving credit facility maturing in May 2013, which will be reduced to €100 million in May 2012.
- Satisfactory headroom under the financial covenants of the existing senior loan indentures, which should offer significant headroom for operating underperformance because the covenant levels do not step up.

Outlook

The stable outlook mainly reflects our view that Amadeus should continue to post moderate revenue and nominal EBITDA growth over the next few years, thanks to favorable trends in airline bookings and to the group's sound pipeline of contracted airlines migrating to its passenger system solutions. The outlook also integrates our expectations that disintermediation effects on its distribution business should remain moderate during the period, in part due to its continuing market share gains in the sector. Additional factors on which we base our outlook are our understanding that:

- The financial policy should remain moderate, particularly pertaining to shareholder returns, such as dividends, that we think will likely remain significantly below free cash flow generation; and
- Amadeus aims to maintain a prudent merger and acquisition policy.

We view adjusted leverage of less than 3x and adjusted free cash flow to debt significantly in excess of 10% as commensurate with the current ratings.

We could lower the ratings if Amadeus' market positions in its industry were to materially weaken, resulting in the total EBITDA margin falling to below 30% for a prolonged period and a downward revision of our assessment of Amadeus' business risk. Negative rating pressure could also build if the group's financial policy were to become significantly more aggressive than we currently expect, especially regarding acquisitions or shareholder returns, leading to credit measures weakening below levels commensurate with the current ratings for an extended period of time.

We currently think that an upgrade is unlikely because our ratings already incorporate our expectations that Amadeus will likely:

- Be able to partly mitigate disintermediation growth through some market-share gains;
- Experience sizable pricing pressure risks when renewing key content contracts starting in 2013;
- Maintain a conservative financial policy during the period; and
- Complete the Opodo sale.

Related Criteria And Research

All articles listed below are available on RatingsDirect on the Global Credit Portal, unless otherwise stated.

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- Methodology And Assumptions: Standard & Poor's Standardizes Liquidity Descriptors For Global Corporate Issuers, July 2, 2010
- Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

New Rating; CreditWatch/Outlook Action

Amadeus IT Holding SA	
Corporate Credit Rating	BBB-/Stable/A-3

Additional Contact:
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Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.