STANDARD & POOR'S

Standard & Poor's Research

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Research Update:

Spain-Based Amadeus IT Holding Outlook Revised To Positive On Strong Financial Performance, 'BBB-/A-3' Ratings Affirmed

Primary Credit Analyst:
Stefan Kirschner, Frankfurt (49) 69-33-999-281;stefan_kirschner@standardandpoors.com

Secondary Contact:
Melvyn Cooke, Paris (33) 1-4420-6783;melvyn_cooke@standardandpoors.com

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Overview

- Spain-based information technology (IT) service provider Amadeus IT Holding S.A. has improved its financial performance beyond our previous expectations.
- We anticipate the company will further gradually reduce debt leverage over the next 12-24 months.
- We are revising our outlook on Amadeus to positive from stable, and affirming our 'BBB-/A-3' ratings.
- The positive outlook reflects our view that the company will likely further improve its credit ratios and maintain a moderate financial policy.

Rating Action

On June 13, 2012, Standard & Poor's Ratings Services revised its outlook on Amadeus IT Holding S.A. (Amadeus) to positive from stable. At the same time, we affirmed our 'BBB-/A-3' long- and short-term corporate credit ratings on the company. We also affirmed our 'BBB-' ratings on the €750 million senior unsecured notes due June 15, 2016, issued by Amadeus Capital Markets S.A. and on the €900 million term loan facilities due November 2015 issued by Amadeus IT Group S.A.

Rationale

Our outlook revision reflects the recent improvement in Amadeus' financial credit ratios following its refinancing and asset sales in 2011. Consequently, the company's financial metrics have improved beyond our initial expectations and beyond our base-case scenario for 2012. We now forecast that Amadeus will achieve adjusted debt to EBITDA of 2.0x to 2.2x and adjusted free operating cash flow (FOCF) to debt of about 25% in 2012. Furthermore, we believe that Amadeus' strong financial performance has provided the group with a cushion to withstand any weakening in operating conditions over the next 12 to 24 months potentially resulting from increasingly difficult macroeconomic conditions globally.

We anticipate that Amadeus' revenues and earnings' generation will continue to benefit from market share gains in its Global Distribution Systems (GDS) segment and from strong growth in its IT solutions segment given that a number of airlines have signed contracts to migrate to Amadeus' "Altéa Suite" passenger service system. As a result, we estimate that Amadeus will generate FOCF of about €500 million in 2012, thanks to an approximately 5% higher revenue base. This should result in sound discretionary cash flow (FOCF after dividends) of more than €300 million at the end of the year. In addition, we consider that the company's business model is not overly exposed to the potential impact of unforeseen adverse events in the travel industry.

We consider Amadeus' moderate financial policy an additional positive rating factor because it supports the recent improvements in its financial ratios. The company had an unadjusted leverage target of 1.5x-2.0x by year-end 2011, which it further reduced to less than 1.5x by year-end 2012. We view this policy as supportive of an investment-grade rating (at least 'BBB-'). We are mindful, however, that the company has only a limited public track record of a consistent financial policy given that it has only been listed on the Madrid Stock Exchange since April 2010.

Liquidity

We view Amadeus' liquidity as "adequate", as defined by our criteria. We expect the group's liquidity sources, including cash, funds from operations (FFO), and credit facility availability, will exceed its uses by about 1.5x over the next 12 to 18 months. Furthermore, even if EBITDA declined by 15%, we believe net sources would still exceed cash requirements.

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

- Cash balances of €434 million at the end of March 2012, of which the majority are centralized in Spain and easily accessible;
- Our view that Amadeus' free cash flows should adequately cover its mandatory debt amortization schedule over the next two years. Amadeus generates sound free cash flow, helped by structurally positive changes in working capital. The company has about €150 million and €306 million in scheduled debt amortization payments and maturities due in 2012 and 2013, respectively. This compares with more than €300 million in expected annual discretionary cash flow;
- A total of €300 million of fully available revolving credit facilities(RCFs), of which €100 million will mature in May 2013 and another €200 million in December 2014;
- Satisfactory headroom under the current financial covenants for the existing senior loan indentures, which could, in our view, sustain a 30% drop in EBITDA without being breached; and
- Our view of Amadeus' sound relationship with banks and a satisfactory standing in credit markets. The group renegotiated its revolving credit facilities and closed on a €200 million nine-year European Investment Bank loan in May 2012, thereby further diversifying its debt funding base. As part of the RCF renewal, Amadeus repaid €350 million of the outstanding €456 million bridge loan maturing in May 2013. We expect that the remainder will be repaid at maturity, using the company's cash sources.

Outlook

The positive outlook reflects our view Amadeus will likely further improve its credit ratios over the next 12 to 24 months thanks to its resilient free cash flow generation and supported by further market share gains in the GDS segment and continued strong growth in its IT solutions segment. We also anticipate that Amadeus will continue to pursue a moderate financial policy.

We could take a positive rating action if under these circumstances Amadeus achieves adjusted debt to EBITDA of 2.0x or less and a ratio of adjusted FOCF to debt more than 25%.

We could revise the outlook to stable if weaker than expected operating performance delayed or reversed Amadeus' deleveraging trend. We could also revise the outlook if Amadeus' financial policy became significantly more aggressive than we currently expect, especially regarding acquisitions or shareholder returns, leading to weaker credit measures.

Related Criteria And Research

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

- 2008 Corporate Criteria: Ratios And Adjustments, April 15, 2008
- 2008 Corporate Criteria: Analytical Methodology, April 15, 2008
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May 27, 2009

Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
Amadeus IT Holding S.A.		
Corporate Credit Rating	BBB-/Positive/A-3	BBB-/Stable/A-3

Ratings Affirmed

Amadeus Capital Markets S.A .Sociedad Unipersonal	
Senior Unsecured*	BBB-
Amadeus IT Group S.A.	
Senior Unsecured*	BBB-

*Guaranteed by Amadeus IT Holding S.A.

Additional Contact:
Industrial Ratings Europe;CorporateFinanceEurope@standardandpoors.com

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.