

RatingsDirect®

Research Update:

Spain-Based IT Service Provider Amadeus IT Holding Rating Raised To 'BBB/A-2' On Strong Financials, Outlook Stable

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

Table Of Contents

Overview

Rating Action

Rationale

Outlook

Related Criteria And Research

Ratings List

Research Update:

Spain-Based IT Service Provider Amadeus IT Holding Rating Raised To 'BBB/A-2' On Strong Financials, Outlook Stable

Overview

- Amadeus IT Holding continues to demonstrate strong operating and financial performance and we expect that it will maintain credit metrics at the high end of an "intermediate" financial risk profile.
- We are therefore raising our long- and short-term corporate credit rating on Amadeus to 'BBB/A-2'.
- We are also raising the issue ratings on the €900 million bank loans due 2015, and the €750 million medium-term notes due 2016 to 'BBB' from 'BBB-'.
- The stable outlook reflects our view that Amadeus will continue to generate meaningful free cash flow and adjusted EBITDA margins of at least 30%, and that it will continue to pursue a moderate financial policy.

Rating Action

On May 29, 2013, Standard & Poor's Ratings Services raised its long- and short-term corporate credit rating on Spain-based information technology services provider Amadeus IT Holding S.A. to 'BBB/A-2' from 'BBB-/A-3'. The outlook is stable. We also raised the issue ratings on the €900 million bank loans due 2015 and on the €750 million medium-term notes due 2016 to 'BBB' from 'BBB-'.

Rationale

The upgrade reflects our expectation that Amadeus will continue to outgrow its competitors, thereby generating meaningful free operating cash flow despite continuous investment in R&D. Furthermore, we believe Amadeus' moderate financial policy will support its financial risk profile at the high end of the "intermediate" category, according to our criteria. In particular, this includes adjusted debt to EBITDA of 2.0x or less and adjusted free operating cash flow (FOCF) to debt of at least 25%.

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 by 2015. As a result, we estimate that Amadeus will

continue to expand its revenues in the mid-single-digit range and generate FOCF of about €500 million annually throughout 2013 and 2014. We continue to view Amadeus' financial policy as moderate despite the increase of its dividend policy to a 40%-50% payout of net income applicable as of 2012, from 30%-40% previously. This is because its net reported leverage target of less than 1.5x translates into adjusted debt to EBITDA of about 2.0x and adjusted FOCF to debt of more than 25%, which is broadly in line with the ratio we consider to be rating-commensurate.

The ratings on Amadeus reflect its solid market positions as an IT service provider to the global travel industry, with leading positions in Europe and several emerging markets. The group also benefits from high barriers to entry in GDS and IT services, which operate under medium- to long-term contracts. It also has a continuously increasing market share in the GDS sector--currently at about 39%--and maintains industry-leading profit margins close to 40% before adjustment for capitalized IT costs.

The ratings are constrained by Amadeus' exposure to the seasonal and cyclical travel industry. In addition, the GDS business is exposed to risks of disintermediation and continuous pressure from large clients, particularly airlines, to reduce booking fees.

We assess the group's management and governance as "strong". This primarily reflects our view of Amadeus' consistent planning, strategy, and execution, as well as the experience of its broad management team.

We note that Amadeus derives less than 10% of its revenues from Spain. In line with our criteria, the ratings on Amadeus are not capped by the sovereign rating on the Kingdom of Spain (see "Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions," published June 14, 2011.)

Liquidity

We view Amadeus' liquidity as "adequate", as defined by our criteria. We expect the group's liquidity sources, including cash, funds from operations, 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 €460 million as of the end of March 2013, the majority of which 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 €306 million and €250 million in scheduled debt amortization payments and maturities due in 2013 and 2014, respectively. This compares with more than €300 million in expected annual discretionary cash flow;
- A total of €200 million of fully available revolving credit facilities,

which will mature 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. Following last year's successful closing on a €200 million nine-year European Investment Bank loan, the group signed another €150 million nine-year European Investment Bank loan at the end of April.

Outlook

The stable outlook reflects our view that Amadeus will continue to generate meaningful free cash flow, supported by revenue growth in the mid-single-digit range stemming from continued strong growth in its IT solutions segment as well as further market share gains in the GDS segment. We also anticipate that Amadeus will maintain adjusted EBITDA margins of about 30%, adjusted debt to EBITDA of about 2.0x, adjusted FOCF to debt of more than 25%, and that it will continue to pursue a moderate financial policy.

We could lower the ratings if a weaker-than-expected operating performance led to an erosion of FOCF and EBITDA, in particular adjusted EBITDA margins of well below 30% for a prolonged period, thereby reversing 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, such as adjusted debt to EBITDA of well above 2.0x and adjusted FOCF to debt of less than 25% for a prolonged period.

An upgrade is unlikely at this stage given the company's satisfactory business risk profile and the growth in revenue and earnings already factored into our ratings.

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
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Nonsovereign Ratings That Exceed EMU Sovereign Ratings: Methodology And Assumptions, published June 14, 2011

Ratings List

Upgraded; CreditWatch/Outlook Action

	To	From
Amadeus IT Holding S.A. Corporate Credit Rating	BBB/Stable/A-2	BBB-/Positive/A-3
Amadeus Capital Markets S.A .Sociedad Unipersonal Senior Unsecured*	BBB	BBB-
Amadeus IT Group S.A. Senior Unsecured*	BBB	BBB-

*Guaranteed by Amadeus IT Holding S.A.

Additional Contact:

Industrial Ratings Europe; Corporate_Admin_London@standardandpoors.com

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at spcapitaliq.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.

Copyright © 2013 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgement as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.