

Issuer Comment: Moody's: Amadeus Baa2 rating unaffected by recent string of acquisitions

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Moody's Investors Service has today said that the Baa2 rating and stable outlook of Amadeus remains unchanged following the company's decision to acquire i:FAO - a provider of corporate travel IT Solutions - for an enterprise value of around EUR67 million.

The acquisition of i:FAO - which will be fully financed by the company's cash balances - is the latest in a string of acquisitions Amadeus has undertaken in recent months. In December 2013, the company said it would be acquiring Newmarket International - a provider of cloud-based solutions to the hotel-industry - in a debt-financed transaction worth USD500 million. In February 2014, Amadeus announced it had expanded further into Airport IT Solutions through the bolt-on acquisition of UFIS Airport Solutions.

Pro-forma for these transactions, Amadeus said its net leverage for 2013 was 1.37x up from 1.01x based on the company's actual 2013 figures. Amadeus is steering its financial policies after a self-imposed leverage target of Net Debt/EBITDA below 1.5x. Whereas Moody's considers the company's financial flexibility within the rating-category to have diminished following recent acquisitions, we would expect Amadeus's strong free cash flow generation to continue allowing for de-leveraging from today's levels absent changes to financial policies and/or other acquisitions.

The negative impact on the capital-structure apart, Moody's considers Amadeus' recent acquisitions to be in line with the company's strategies of strengthening existing service-offering and diversifying into new untapped markets. The integration of i:FAO into Amadeus allows for the company to gain a stronger foothold within the universe of corporate travel where - in particular - the need for effective expense management solutions has seen the emergence of several new players within the supply chain of travel distribution in recent years. The acquisition of i:FAO does as such provide the company with the opportunity to sell in better solutions to travel management companies - an industry which traditionally is highly intermediated due to their reliance upon GDS-terminals - as well as targeting companies directly through their Corporate IT product portfolio. Amadeus does not disclose the amount of revenues it derives from direct sales to corporates.

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 2013 to December, the company reported revenues and recurring EBITDA from continuing operations and before exceptional items of EUR3.1 billion and EUR1.2 billion, respectively.

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