

Rating Action: Moody's upgrades Manutencoop's CFR to B2, stable outlook

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London, 25 October 2016 -- Moody's Investors Service, ("Moody's") today upgraded Manutencoop Facility Management S.p.A's ('Manutencoop' or the 'company') corporate family rating (CFR) to B2 from B3 and probability of default rating (PDR) to B2-PD from B3-PD. Concurrently, the rating agency has upgraded to B2 from B3 the instrument rating on the senior secured notes issued by Manutencoop Facility Management S.p.A. The outlook on all ratings is stable.

RATINGS RATIONALE

"The upgrade has been triggered by the announcement of the Italian Regional Administrative Tribunal (TAR) to partially uphold Manutencoop's appeal and significantly reduce the Italian Competition Authority (ICA) fine, which will allow the company to maintain its adequate liquidity profile", says Pieter Rommens, Moody's lead analyst for Manutencoop. "The TAR's ruling builds on other credit-positive steps that the company has taken since January, such as the securing of additional committed factoring lines, the appointment of new management, and the recent announcement of tender won from Consip", adds Mr. Rommens.

Manutencoop's B2 Corporate Family Rating (CFR) reflects the company's (1) leading position in the fragmented Italian public segment facilities management sector; (2) sizeable order book with approximately 70% of expected FY2017 revenues already contracted and no large contracts up for renewal in 2017; (3) strongly improved liquidity position with the signing of up to €100 million committed factoring facility; (4) partially successful appeal against the Italian Competition Authority (ICA) fine and (5) senior management and board reshuffle to focus on rebuilding customer relations and corporate governance.

However, the rating also reflects the company's (1) sole geographic exposure to the Italian economy; (2) strong reliance on the public sector segment and Italian public authorities' payment discipline; (3) expected Moody's-adjusted gross leverage of around 4.0x by the end of FY2016 and (4) remaining, albeit reduced risk of credit negative consequences of ICA ruling .

Manutencoop announced that the TAR had partially upheld the company's appeal and significantly reduced a €48.5 million fine imposed by the ICA in January for suspected violations of antitrust rules. According to the TAR's decision, the ICA should revise the fine amount based on a reduced applied percentage of the contract amount of 5% versus 15% previously, implying a 66% reduction in the fine. In addition, the Italian public tender agency Consip has awarded Manutencoop with two new facility management contracts worth up to €209 million over the next seven years. The new contract wins confirm management's view that Manutencoop has not been excluded from Consip tenders and further supports the company's revenue pipeline.

Rating Outlook

The stable outlook reflects Moody's view that Manutencoop's improved liquidity profile, recent new contract wins and stable margins will result in continued deleveraging.

What Could Change the Rating - Up

Positive pressure on the ratings could materialise if Manutencoop continues to win new contracts, improve its operational cash flow performance, and maintains its adequate liquidity profile, following the final outcome of the ICA appeal. Quantitatively, positive pressure could materialise if the company (1) maintains its current operating performance in relation to EBITDA margins; (2) generates sustained positive free cash flow; and (3) maintains leverage profile such that its Moody's-adjusted debt/EBITDA ratio sustainably falls below 4.0x.

What Could Change the Rating - Down

Conversely, negative pressure could be exerted on the ratings if Manutencoop's liquidity profile and credit metrics deteriorate as a result of (1) weakening operational performance or loss of material contracts; (2) additional penalty payments or significant legal cost; or (3) an aggressive change in its financial policy. Quantitatively, we would also consider downgrading Manutencoop's ratings if its adjusted debt / EBITDA

sustainably increases above 5.0x; or if the company reports negative free cash flow on a sustained basis.

Furthermore, any negative consequences resulting from the investigations ranging from management distraction to reputation risk or financial damage would create negative pressure on the company's rating position.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Business and Consumer Service Industry published in October 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

COMPANY PROFILE

Founded in 1938 and headquartered in Bologna, Italy, Manutencoop Facility Management SpA (Manutencoop) is a leading provider of facilities management (FM) services and laundry & sterilisation services in Italy. The group reported 2015 revenue and adjusted EBITDA of €955 million and €95 million, respectively. The company serves over 1,600 customers and employs approximately 16,000 people in 58 offices/branches throughout Italy. All revenues are generated in Italy, with 74% of 2015 revenues derived from the public sector and 26% from the private sector.

The company's controlling shareholder is Manutencoop Società Cooperativa (MSC), which owns 67% of Manutencoop's ordinary shares (including additional 7% of shares acquired with retention of title in July 2013). The remaining stake is held by a pool of 10 private equity investors (including MP Venture, Private Equity Partners, IDEA, 21 Investimenti). MSC is a cooperative of around 600 member shareholders, all of which are employees of the firm.

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