

MOODY'S INVESTORS SERVICE

Rating Action: Moody's assigns (P)B2 ratings to CMF S.p.A's (Manutencoop) proposed Senior Secured Notes

Global Credit Research - 21 Jun 2017

London, 21 June 2017 -- Moody's Investors Service, ("Moody's") has today assigned a provisional (P)B2 instrument rating to the proposed €420 million Senior Secured Notes, due 2022, which are expected to be issued by CMF S.p.A., a newly incorporated entity to support the company's planned refinancing. The outlook on all ratings is stable. The net proceeds from the transaction, together with €167 million of cash on balance sheet, will be used to repay the existing Senior Secured Notes, fund the €205 million equity purchase price to buy out minority shareholders, repay €48 million of other drawn debt and fund transaction costs.

At the same time, Moody's has affirmed Manutencoop Facility Management S.p.A.'s corporate family rating (CFR) of B2 and probability of default rating (PDR) of B2-PD. Should the contemplated refinancing conclude as envisaged, Moody's would expect to move the CFR from Manutencoop Facility Management S.p.A. to CMF S.p.A. Upon full repayment, Moody's will withdraw the B2 instrument ratings on the existing Senior Secured Notes due 2020 issued by Manutencoop Facility Management S.p.A.

Moody's issues provisional ratings in advance of the final sale of securities. Upon closing of the transaction and a conclusive review of the final documentation, Moody's will endeavour to assign definitive ratings. A definitive rating may differ from a provisional rating.

RATINGS RATIONALE

Manutencoop's B2 CFR reflects the company's (1) leading position in the fragmented Italian public segment facilities management sector; (2) sizeable order book with approximately 69% of expected FY2017 revenues already contracted; (3) liquidity profile supported by the new €50 million Revolving Credit Facility and up to €100 million committed factoring facility; and (4) expected stable facility management market as non-discretionary and non-cyclical activity.

However, the rating also reflects the company's (1) expected Moody's adjusted gross leverage of around 5.4x at the end of 2017, pro forma for the refinancing; (2) sole geographic exposure to the Italian economy; (3) strong reliance on the public sector segment and Italian public authorities' payment discipline.

Importantly, the rating also reflects risk of credit negative consequences of ongoing legal proceedings. The company is exposed to the regulated and litigious Italian public sector tender environment, with a history of legal investigations ultimately leading to the resignation of senior management and board members in February 2016 and a €14.7 million fine.

Moody's considers Manutencoop's liquidity profile as adequate. Pro forma for the refinancing, the company expects to have €19 million cash on balance sheet, based on the €178 million cash at the end of the first quarter 2017, net off €167 million cash used for the refinancing, €25 million dividend paid in May 2017 and €33 million new factoring drawn. Although this cash position is considered to be weak in light of its annual working capital requirements of approximately €30 million (cash out in Q1 and Q3), the company's liquidity profile is supported by the new €50 million Revolving Credit Facility and up to €100 million committed receivables factoring facility.

Rating Outlook

The stable outlook reflects Moody's view that Manutencoop will maintain an adequate liquidity profile and revenue visibility, supported by stable backlog and operational margins.

Factors that Could Lead to an Upgrade

Positive pressure on the ratings could materialise if Manutencoop continues to win new contracts, improve its operational cash flow performance and maintains an adequate liquidity profile. 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.

Positive rating pressure would also require sufficient comfort that the ongoing investigations will not have any material credit negative impact.

Factors that Could Lead to a Downgrade

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 costs; or (3) an aggressive change in its financial policy. Quantitatively, Moody's would also consider downgrading Manutencoop's ratings if its adjusted Debt/EBITDA sustainably increases above 6.0x; 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.

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.

Profile

Founded in 1938 and headquartered in Bologna, Italy, Manutencoop is a leading provider of facilities management (FM) services and laundry & sterilisation services in Italy. Its FM segment (85% of year-end 2015 revenues) includes technical, cleaning and landscaping services. The Laundry & Sterilisation segment (15%) covers sterilisation and rental of surgical clothing/instruments, and laundering of linen and mattresses, primarily to the healthcare sector. The group reported 2016 revenue and adjusted EBITDA of €927 million and €96 million, respectively. The company serves over 1,600 customers and employs approximately 16,000 people in 58 offices/branches throughout Italy. Almost all revenues are generated in Italy, with 75% of 2016 revenues derived from the public sector and 25% from the private sector.

Following the June refinancing, the company is fully owned by Manutencoop Società Cooperativa, a cooperative of around 600 member shareholders, all of which are employees of the firm.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures

for each credit rating.

Matteo Versiglioni
Analyst
Corporate Finance Group
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Peter Firth
Associate Managing Director
Corporate Finance Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's Investors Service Ltd.
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454



© 2017 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE

MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION.
IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO,
COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE
REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED,
REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN
WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON
WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS,
MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER
OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER
WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors

to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.