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.

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