



COMUNICATO STAMPA

Torino, 02 novembre 2011

Comunicazione ai sensi del Regolamento dei mercati organizzati e gestiti da Borsa Italiana art. 2.6.2 nr. 15.

Ieri la società di rating Standard & Poor's ha assunto la decisione di modificare il "Corporate rating" di Seat da CCC+ a CC e, conseguentemente, di modificare il rating del bond emesso da Lighthouse con garanzia di Seat da CCC+ a C e il rating del debito Senior da B- a CCC-. L'outlook della Società rimane Negativo.

(Per completezza d'informazione si allega il comunicato di Standard & Poor's)

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Research Update:

Italy-Based SEAT PagineGialle Downgraded To 'CC' On Subordinated Notes Interest Payment Delay; Outlook Negative

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Italy-Based SEAT PagineGialle Downgraded To 'CC' On Subordinated Notes Interest Payment Delay; Outlook Negative

Overview

- SEAT PagineGialle SpA (SEAT), the Italy-based international publisher of classified directories, has a weakened liquidity profile and high leverage, in our view.
- SEAT's board of directors has announced that the company will not make its interest payment on the subordinated notes--issued by Lighthouse International Co. S.A. and due 2014--on the due date, but may use its optional 30-day grace period to do so.
- We are therefore lowering our long-term corporate credit rating on SEAT to 'CC' from 'CCC+'.
- The negative outlook reflects our view of the likelihood of us lowering our ratings on SEAT to 'SD' (Selective Default) if the interest payment on Lighthouse International is not made within five business days of the scheduled due date.

Rating Action

On Nov. 1, 2011, Standard & Poor's Ratings Services lowered its long-term corporate credit rating on Italy-based international publisher of classified directories SEAT PagineGialle SpA (SEAT) to 'CC' from 'CCC+'. The outlook is negative.

At the same time, we lowered to 'CCC-' from 'B-' our issue ratings on SEAT's first-lien term debt, revolving credit facility (RCF), and senior secured notes. The recovery ratings on these debt instruments are unchanged at '2', indicating our expectation of substantial (70%-90%) recovery in the event of a payment default.

We also lowered to 'C' from 'CCC+' our issue rating on the subordinated notes issued by related entity Lighthouse International Co. S.A. The recovery rating on the notes is revised to '5' from '4', indicating our expectation of modest (10%-30%) recovery in the event of a payment default.

Rationale

The downgrade follows SEAT's announcement, on Oct. 28, 2011, that it has decided to defer a coupon payment (about €52 million) on the subordinated bonds issued by Lighthouse International that mature in 2014. The payment due date fell on Oct. 31, 2011, and SEAT is using the 30-day grace period provided

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in the notes' indentures because it is in the process of restructuring its balance sheet.

Under our criteria "Timeliness of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings," published Dec. 23, 2010, we would consider the extension of a payment maturity as tantamount to a default if the payment falls later than five business days after the scheduled due date. This is irrespective of the grace period stipulated in the indentures.

Although we believe that SEAT's liquidity would be sufficient to cope with upcoming interest payments, with reported balance-sheet cash of approximately €149 million, we nevertheless take a strict view on any payment deferral, in line with our criteria. We consider an extension of a due payment of interest as equivalent to a debt restructuring below par by a distressed issuer, and therefore a default.

We will therefore monitor if the payment is made within five business days of the scheduled due date (namely Monday, Nov. 7, 2011) allowed by our criteria, before moving SEAT's rating to 'SD'. Even if the interest payment is made within five business days of the scheduled due date, we consider an upgrade of our ratings on SEAT to be unlikely at this point. This is because of the likelihood of SEAT introducing credit-dilutive measures to restructure its balance sheet within the next six months, ahead of the company's June 2012 debt maturities.

We will therefore examine the progress on SEAT's pending debt restructuring over the coming months in the context of its aim to reduce leverage in a mutually agreeable form with the main stakeholders. We will then reassess the effect of possible changes in the capital structure on the current ratings.

Liquidity

We assess SEAT's liquidity profile as weak under our criteria. This primarily reflects the upcoming maturity of about €240 million in June 2012 (including a fully drawn €90 million RCF), management's decision to use its contractual grace period for the coupon payment, and tight headroom under the company's bank facility covenants. That said, we note that SEAT had liquidity of about €149 million at the end of October. This amount is sufficient to make upcoming interest payments, along with the debt amortization requirement of about €35 million on the senior term loan at the end of December.

A capital restructuring that addresses the above weaknesses could be positive for liquidity and may lead us to reassess SEAT's creditworthiness when we

return to reviewing conventional default risks.

Recovery analysis

The issue rating on the first-lien debt issued by SEAT (including term debt, the RCF, and the secured bond) is 'CCC-', one notch higher than the corporate credit rating. The recovery rating on these debt instruments is '2',

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indicating our expectation of substantial (70%-90%) recovery in the event of a payment default.

The issue rating on the €1.3 billion second-lien (subordinated) notes due 2014 issued by Lighthouse International is 'C', one notch below the corporate credit rating on the guarantor, SEAT. The recovery rating on this instrument is '5', indicating our expectation of modest (10%-30%) recovery in the event of a payment default.

The revised recovery rating on the subordinated notes reflects our downward revision of the stressed enterprise value. In particular, we reassessed our proxy EBITDA at default at about €350 million (from approximately €400 million) following recent accounting changes. These changes no longer recognize revenues and costs from online advertisements on publication, but rather over the contractually agreed duration of the product or service, usually 12 months.

In our opinion, our revised EBITDA calculation for SEAT better reflects ongoing profitability, particularly in view of the increased proportion of SEAT's online business. Moreover, based on the difficult conditions facing the classified directories industry, we have slightly reduced our valuation multiple to 5.5x. Based on our revised valuation assumptions, we project a stressed enterprise value of about €1.9 billion (down from €2.4 billion), and estimate coverage for the subordinated notes at the low end of the 10%-30% range.

We think this is broadly in line with what appears to be the outcome of preliminary discussions among various stakeholders. We understand that subordinated bondholders are contemplating a debt-to-equity swap on about €1.2 billion of their €1.3 billion exposure (for 90% of the voting share capital of the company), with the remainder being converted into a new senior secured debt instrument.

In case of a debt restructuring, we will revise our path to default and stressed valuation assumptions and reassess potential recovery on SEAT's various debt instruments once the new capital structure is defined and finalized and full details become available.

Outlook

The negative outlook reflects our view that if SEAT were to postpone its due interest payment on Lighthouse International's subordinated notes beyond the fifth business day following the scheduled due payment (that is, beyond Nov. 7, 2011), we would lower the rating on these subordinated notes to 'D' (Default). At the same time, we would lower our long-term corporate credit rating on SEAT to 'SD' (Selective Default) should the company continue to honor its other debt obligations.

The negative outlook also takes into account that the credit momentum is still

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biased toward the downside and reflects our opinion that SEAT's capital

structure is likely to become unsustainable, especially in light of the adverse trading environment. Due to SEAT's upcoming debt maturities from June 2012, we believe that management could implement credit-dilutive restructuring measures, which we would view as tantamount to a default under our criteria. Given our view of the continuous pressure on SEAT's revenues and profits, and the status of current discussions with the various stakeholders, we believe that a positive rating action is unlikely over the next few months.

Related Criteria And Research

All articles listed below are available on RatingsDirect on the Global Credit Portal, unless otherwise stated.

- Timeliness of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings, Dec. 23, 2010
- Criteria Guidelines For Recovery Ratings On Global Industrials Issuers' Speculative-Grade Debt, Aug. 10, 2009
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- Rating Implications Of Exchange Offers And Similar Restructurings, Update, May 12, 2009
- How Standard & Poor's Uses Its 'CCC' Rating, Dec. 12, 2008
- Standard & Poor's Revises Its Approach To Rating Speculative-Grade Credits, May 13, 2008
- 2008 Corporate Criteria: Analytical Methodology, April 15, 2008
- 2008 Corporate Criteria: Ratios And Adjustments, April 15, 2008

Ratings List

Downgraded

To From

SEAT PagineGialle SpA

Corporate Credit Rating CC/Negative/-- CCC+/Negative/--

Senior Secured Debt CCC- BRecovery

Rating 2 2

Lighthouse International Co. S.A.

Subordinated Debt* C CCC+

Recovery Rating 5 4

*Guaranteed by SEAT PagineGialle SpA.

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Complete ratings information is available to subscribers of RatingsDirect on

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