



## **COMUNICATO STAMPA**

Torino, 7 febbraio 2013

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

In data odierna la società di rating Standard & Poor's ha assunto la decisione di modificare il corporate rating di Seat da SD a D.

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

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## Research Update:

# Italy-Based Classified Directories Publisher SEAT Downgraded To 'D' On Missed Interest Payment

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## Research Update:

# Italy-Based Classified Directories Publisher SEAT Downgraded To 'D' On Missed Interest Payment

## Overview

- We understand that Italy-based classified directories SEAT PagineGialle SpA (SEAT) has missed the interest payment on its senior secured bank facilities, which was due on Feb. 6, 2013.
- Under our criteria, we consider the extension of a due payment of interest or principal as tantamount to a default if the payment falls later than five business days after the scheduled due date.
- We do not believe that SEAT will make the interest payment in the next five business days because it is contemplating a second round of financial restructuring.
- We are therefore lowering our long-term corporate credit rating on SEAT to 'D' (default) from 'SD' (selective default).

## Rating Action

On Feb. 7, 2013, Standard & Poor's Ratings Services lowered to 'D' (default) from 'SD' (selective default) its long-term corporate credit rating on Italy-based classified directories SEAT PagineGialle SpA (SEAT).

At the same time, we lowered to 'D' from 'CC' our issue rating on SEAT's €686 million new senior secured facilities (including a new €90 million revolving credit facility). The recovery rating on these instruments remains unchanged at '3', reflecting our expectation of meaningful (50%-70%) recovery in the event of a payment default.

The issue rating on SEAT's €750 million senior secured notes and €65 million new senior secured notes remains unchanged at 'D'. The recovery rating on these notes also remains unchanged, at '3', reflecting our expectation of meaningful (50%-70%) recovery in the event of a payment default.

## Rationale

The downgrades reflect SEAT's failure to pay the interest on its €686 million senior secured facilities on the due date of Feb. 6, 2013. We do not believe that the company will make the interest payment within the following five business days. This is because SEAT is contemplating a second round of financial restructuring, since recent adverse macroeconomic and market developments make its existing capital structure unsustainable.

The downgrade of SEAT reflects our understanding that SEAT has now failed to

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pay all, or substantially all, of its obligations when they were due. SEAT already delayed the interest payments on its €750 million and €65 million

senior secured bonds in late January 2013. In addition, SEAT has applied for a "blank option procedure," which enables the company to immediately benefit from all applicable statutory protections of its assets, in order to protect the interests of all stakeholders. SEAT is also looking to file a pre-insolvency procedure called "composition with creditors," which is a formal, court-supervised, reorganization that allows the company to seek an alternative repayment plan with creditors.

Under our criteria, we consider the extension of a due payment of interest or principal as tantamount to a default if the payment falls later than five business days after the scheduled due date. (See "Timeliness of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings," published Dec. 23, 2010, on RatingsDirect on the Global Credit Portal). This is irrespective of any grace period stipulated in the debt documentation.

We will monitor the progress of SEAT's pending debt restructuring over the coming months. The restructuring aims to reduce leverage in a way that is agreeable to all the main stakeholders. If and when SEAT emerges from any form of reorganization, we will reassess the ratings, taking into account the factors that precipitated the default, as well as any gains from the reorganization process.

### Liquidity

We assess SEAT's liquidity as "weak" under our criteria. This primarily reflects the board's decision to delay interest payments on the group's debt instruments.

That said, we note that SEAT has material cash on the balance sheet of about €200 million. (More than €90 million of this cash is at SEAT's subsidiary Telegate AG and not immediately available for debt service.) In our view, SEAT's liquidity profile would allow it to meet its short-term financial needs. In addition, despite the negative operating trend, we believe that the group currently has sufficient headroom under its covenants. This is thanks to Telegate's successful litigation with Deutsche Telekom, and a carve-out option that allows SEAT to remove some research and development costs (up to €30 million in 2013) from EBITDA for covenant calculation purposes. That said, the SEAT board's decision to suspend interest payments follows a materially weaker forecasts for 2013 operating trends and liquidity than we initially envisaged, since the macroeconomic and market environment have materially deteriorated in recent months.

### Recovery analysis

We rate at 'D' SEAT's €686 million new senior secured facilities (€661 million after a voluntary €25 prepayment on Nov. 6, 2012), €750 million senior secured notes, and €65 million new senior secured notes. The recovery rating on these debt instruments is '3', indicating our expectation of meaningful (50%-70%)

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recovery in the event of a payment default. We estimate coverage at the low end of this range.

The main factors underpinning our recovery ratings are the secured nature of the debt instruments; the level of numerical coverage in a going-concern valuation; and our assumption of a consensual agreement among interested parties, on whose terms the restructuring would be implemented. Should the upcoming negotiations and insolvency process lead to a liquidation, the recovery prospects for the creditors could in our view be materially lower than the specified range.

### Ratings List

Downgraded

To From

SEAT PagineGialle SpA

Corporate Credit Rating D/--/-- SD/--/--

SEAT PagineGialle Italia SpA

Senior Secured Facilities\* D CC

Recovery Rating 3 3

Ratings Affirmed

SEAT PagineGialle SpA

Senior Secured Bonds D D

Recovery Rating 3 3

\*Guaranteed by SEAT PagineGialle SpA.

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Complete ratings information is available to subscribers of RatingsDirect on

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