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Research Update:

Facilities Services Firm ISS 'BB-' Rating Affirmed, Placed On CreditWatch Positive On Announcement Of Acquisition By G4S

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Table Of Contents

Overview

Rating Action

Rationale

CreditWatch

Related Criteria And Research

Ratings List

Research Update:

Facilities Services Firm ISS 'BB-' Rating Affirmed, Placed On CreditWatch Positive On Announcement Of Acquisition By G4S

Overview

- U.K.-based security services company G4S PLC has announced the acquisition of Denmark-based facilities services company ISS A/S for approximately £5.2 billion.
- The acquisition will involve G4S repaying about £1.1 billion of ISS's existing debt.
- We are therefore affirming our long-term corporate credit rating on ISS at 'BB-' and placing it on CreditWatch positive.
- The CreditWatch placement reflects our view that the impact of the acquisition could be positive for ISS's capital structure.

Rating Action

On Oct. 19, 2011, Standard & Poor's Ratings Services affirmed its 'BB-' long-term corporate credit ratings on Denmark-based facilities services provider ISS A/S (ISS) and related entities ISS World Services A/S and ISS Financing PLC. At the same time, we placed the ratings on CreditWatch with positive implications.

In addition, we affirmed our 'B' issue ratings on ISS's €581.5 million subordinated facility (including the add-on notes) due 2016; on ISS Global A/S's €110.4 million issuance under the €2 billion unsecured euro medium-term note (EMTN) program due 2014; and on ISS Financing's €525 million secured notes due 2014. We placed these issue ratings on CreditWatch with positive implications.

Rationale

The rating actions follow the announcement by U.K.-based security services company G4S PLC (BBB/Stable/A-2) of its intention to acquire ISS from private equity firms EQT and Goldman Sachs Capital Partners (see "U.K.-Based Security Services Company G4S 'BBB/A-2' Rtg Affirmed Following Announcement To Acquire ISS; Outlook Stable," published Oct. 19, 2011). In our view, the acquisition will have a positive effect on ISS, because G4S will repay a substantial portion--about £1.1 billion--of ISS's existing debt with the proceeds of G4S's recently launched share rights issue. The acquisition will trigger the change-of-control provisions in the documentation for the majority of ISS's facilities. We anticipate that these facilities will be refinanced using G4S's new acquisition facility.

Liquidity

As part of the acquisition, we understand that G4S will repay ISS's credit facilities, including its bank facilities, which were due to mature in 2014, 2015, and 2016. The documentation for these facilities includes change-of-control provisions that will be triggered by the acquisition.

We view ISS' liquidity as adequate under our criteria. For more details, please refer to our full report on ISS A/S, published Oct. 14, 2011, on RatingsDirect on the Global Credit Portal.

Recovery analysis

The issue ratings on ISS's €581.5 million subordinated facility (including the add-on notes) due 2016; on ISS Global's €110.4 million issuance under the €2 billion unsecured EMTN program due 2014; and on ISS Financing's €525 million secured notes due 2014 are 'B'. The recovery rating on these facilities is '6', indicating our expectation of negligible (0%-10%) recovery in the event of a payment default. For further information, see our full report on ISS A/S, published Oct. 14, 2011.

CreditWatch

We aim to review the CreditWatch placement following the successful repayment of ISS's credit facilities. We would view any reduction of ISS's currently heavy debt burden as positive for the rating.

Related Criteria And Research

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

- Criteria Guidelines For Recovery Ratings On Global Industrial Issuers' Speculative-Grade Debt, Aug. 10, 2009
- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- 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
- U.K.-Based Security Services Company G4S 'BBB/A-2' Rtg Affirmed Following Announcement To Acquire ISS; Outlook Stable, Oct. 19, 2011
- ISS A/S, Oct. 14, 2011
- Critical Mass, Diversity And Cost Flexibility Support Success In European Business Services, Nov. 19, 2007

Ratings List

Ratings Affirmed; CreditWatch/Outlook Action

	To	From
ISS A/S		
ISS Global A/S		
Corporate Credit Rating	BB-/Watch Pos/--	BB-/Stable/--
ISS World Services A/S		
Corporate Credit Rating	BB-/Watch Pos/B	BB-/Stable/B
ISS A/S		
Subordinated Debt	B/Watch Pos	B
Recovery Rating	6	6
ISS Financing PLC		
Senior Unsecured Debt*	B/Watch Pos	B
Recovery Rating	6	6
ISS Global A/S		
Senior Unsecured Debt	B/Watch Pos	B
Recovery Rating	6	6

*Guaranteed by ISS A/S and ISS World Services A/S.

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Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following Standard & Poor's numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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