

Issuer Comment: ISS' B2 rating and positive outlook are unaffected by G4S' acquisition announcement

Global Credit Research - 18 Oct 2011

Moody's Investors Service said today that the ratings and positive outlook of ISS A/S ("ISS") (B2, positive) remain unchanged following the announcement of an acquisition of ISS by G4S plc ("G4S") (unrated).

G4S has agreed to acquire 100% of ISS for a total enterprise value of approximately GBP5.2 billion. The closing of the transaction is subject to approvals, including those from G4S shareholders' meeting and certain regulatory authorities.

If successful, the acquisition of ISS by G4S will create a global leader in integrated security and facilities services. G4S' financial profile appears to be strategically and financially stronger and Moody's considers that the acquisition has the potential to strengthen ISS' ratings.

Moody's understands that the acquisition, if successful, is likely to trigger "change of control" provisions of senior subordinated notes due 2016 (rated Caa1). The notes are also callable by the issuer. If however the notes remain outstanding, the acquisition may have positive implications for the ratings, although this will depend on their positioning and final new capital structure. Therefore the outlook remains positive.

Moody's has previously indicated that the ratings could be positively impacted by adjusted leverage falling sustainably below 6.5x. An upgrade would also require interest coverage (EBITDA-capex/interest expenses) approaching 2.0x. There could be negative pressure on the rating in case of decline in operating profitability, debt/EBITDA trending towards 7.5x and interest cover closer to 1.0x.

ISS Global A/S, based in Copenhagen, Denmark, is the fully owned subsidiary of ISS A/S and one of the leading facility services providers in the world.

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