

Amadeus IT Group (Ticker: AMS SM)

Amadeus IT Group	
Ticker MyBolsa/website BiG	AMS
Ticker BiGlobal Trade	AMS
Ticker BiGTrader24	AMS
Ticker BiG Power Trade	AMS
P/E Ratio 2019E	24,91
P/BV Ratio	9,45
EV/Sales	6,08

Source: Bloomberg

Price and Performance (Values in EUR)	
Price	69,70
52 Week High	82,20
52 Week Low	58,06
YTD	14,6%
Average Daily Volume (mn)	1.474.549
Market Cap (mn)	30.586
Beta	0,86
Dividend	1,18
EPS	2,33

Source: Bloomberg

Financial Information	
Sales (EUR mn)	4.936
EBITDA (EUR mn)	2.028
Nº of Employees	16.920
ROA	11,3%
ROE	35,1%
D/E	0,13%
Dividend Yield	1,7%

Source: Bloomberg

Consensus	
Buy	8
Hold	10
Sell	11

Source: Bloomberg.

Note: Annual Values

Credit Ratings		
Agency	Rating	Outlook
S&P	BBB	STABLE
Moody's	Baa2	STABLE

Source: Bloomberg.

Notes:

All quotes were updated in Bloomberg at closing prices of 15/04/2019

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Description

Amadeus is an IT services company for the travel industry. The company has two segments – Distribution and IT Solutions revenue. The distribution segment, which represented 62% of FY 2018 total sales, is the interface between providers and agents, offering search, pricing, booking, ticketing, and servicing capabilities. The segment revenues come from booking fees the Group charges to travel providers for bookings made as well as other non-booking revenues. The IT solutions segment, which represents the remaining 38% of sales, includes the IT systems used by tourism providers for reservations, inventory management, and departure control, among other business processes. This segment generates revenues from the transactions processed in Amadeus's platforms. Amadeus provides its services to other sectors besides the travel industry, such as airports and ground handlers, hospitality, railways and ground transportation, as well as to transversal segments that are relevant to all travel industry players such as payment systems or mobile solutions. The company generates 37% of revenues from western Europe, 22% from Asia & Pacific, 15% from USA & Canada; 12% from Middle East and Africa, 7% from Central, Eastern and Southern Europe and 6% from Latin America.

Investment Thesis

Leadership Position: Amadeus has the leadership position in the global distribution service (GDS) provider, with a market share of 43,8% in 2017, followed by Sabre with a 36,3% share. The larger dimension of Amadeus provides allows the company to more easily reach into low-cost carriers, maintain the relationships with online travel agencies and compete more easily with smaller rivals by cross-selling value-added IT products and services and consolidating them to gain share.

Revenue Stability: Over 90% of Amadeus revenue is recurring (according to company's data), sustained by long-term contracts and customer loyalty. GDS contracts have duration of 3 to 5 years and PSS contracts have duration between 10 and 20 years.

Diversification away from GDS: Amadeus IT solutions provide revenue diversification, outside of distribution, and increase the addressable market opportunities, with the company expanding its solutions to hotels, airports, rails and cruise lines. The company can also create cross-selling opportunities for GDS to these new sectors, which have a lower adoption of GDS.

Risks

Lower Tourism growth: Low cost carriers, hostels and short-term rentals have made traveling an increasingly available to the masses and have sustained its growth, but such growth is forecasted to slow – travel spending is forecasted to grow at a 3,8% CAGR from between 2018-2028 (according to the World Travel and Tourism Council and vs. yearly growth rates of 4% to 5% in the past years). As revenues of Amadeus is significantly linked to air traffic, the lower growth rates of tourism should give a negative impact on its revenues.

Direct Distribution: Airlines (for example Deutsche Lufthansa) are increasingly focused on developing their own direct channels for booking, to reduce the distribution costs and provide ancillary services, which drive brand loyalty. While this is a risk for the position of Amadeus in the GDS market, the high concentration of premium corporate and high-end consumer air bookings through indirect channels and the creation of ancillary services to

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meet the airline's needs, should continue to maintain the reliance (although at a smaller scale) of airlines to the GDS system.

EU Antri-Trust Probe: Past November, the European Union opened anti-trust investigations to Amadeus and its rival Sabre, accusing the companies of having contract terms that prevent airlines and travel agents to switch to other providers, breaching EU competition rules and increasing prices for consumers. The anti-trust regulator of EU can place fines of as much as 10% of a company's total revenue for breaching its rules.

▲ Upcoming Events

8th May 2019 - 1st Quarter Earnings

26th July 2019 – 1st Half Earnings (Estimated Date)

4th November 2019 – 3rd Quarter Earnings (Estimated Date)

Income Statement (EUR mn)	2017	2018
Revenue	4,637	4,936
Cost of Revenue	- 1,090	- 1,207
Personnel and related expenses	- 1,334	- 1,382
Depreciation and amortization	- 557	- 636
Other operating expenses	- 338	- 318
Operating Income	1,318	1,393
Financial Income	1	2
Interest Expense	- 33	- 38
Other financial expenses	- 10	- 9
Exchange gains/(losses)	- 14	- 10
Financial expense, net	- 55	- 54
Other income/(expense)	- 1	2
Profit before income taxes	1,262	1,336
Income tax expense	- 262	- 337
Profit after taxes	1,000	1,000
Share in profit of associates and joint ventures accounted for using the equity method	4	3
Profit for the year	1,005	1,003
Attributable to owners of the parent	1,003	1,002
Attributable to non-controlling interests	2	0
EPS (basic and diluted)	2,29	2,33

Source: Company Data; BiG Research

Balance Sheet (EURmn)	2017	2018
Goodwill	2,714	3,598
Intangible assets	3,204	4,094
Patents, trademarks, licenses and others	335	338
Technology and content	2,312	2,711
Contractual relationships	558	1,045
Property, plant and equipment	480	433
Right of use assets	-	351
Investments accounted for using the equity meth	18	14
Trade accounts receivables	326	498
Income tax receivables	79	44
Other current financial assets	13	10
Current derivative financial assets	18	8
Cash and cash equivalents	580	563
Other Assets	445	518
Total Assets	7,875	10,130
Non-current debt	1,755	2,898
Non-current contract liabilities	299	271
Current debt	396	987
Dividend payable	210	220
Trade accounts payables	694	846
Current contract liabilities	118	222
Other liabilities	1,762	1,495
Total Liabilities	5,234	6,938
Total Equity	2,641	3,192
Equity + Liabilities	7,875	10,130

Source: Company Data; BiG Research

Free Cash Flow (EUR mn)	2017	2018
Operational Cash Flow	1,538	1,710
Net Income	1,003	1,002
D&A	557	636
Changes in WC	61	1
Others	- 82	- 71
Investment Cash Flow	- 671	- 2,085
Change in Fixed & Intangible Assets	- 611	- 717
Net Change in LT Investment	- 52	- 19
Net Cash from Acq & Div	- 3	1,313
Other Investing Activities	- 6	- 36
Financial Cash Flow	- 729	357
Dividends Paid	- 411	- 494
Debt change	- 278	1,362
Share buyback	- 8	- 509
Other Financing Activities	- 32	- 2
Effects of FX	- 9	1
Change in free cash flow	130	17

Source: Company Data; BiG Research



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▲ Comparative Analysis

Name	PER Actual	PER 5 Yr. Median	P/E 2019E	P/E 2020E	P/BV	YTD	ROE	ROA	Div. Yield	Div. Liq./ EBITDA	EBIT Margin
TRAVELPORT WORLDWIDE LTD	15,2	28,6	11,3	10,3	n.a.	1%	n.a.	3%	n.a.	4,1	9%
SABRE CORP	18,9	25,2	20,6	15,4	6,2	1%	41%	6%	3%	3,0	15%
AMADEUS IT GROUP SA	29,2	24,4	24,8	23,3	9,4	14%	35%	11%	2%	1,6	29%
Média exc. Amadeus	17,1	26,9	16,0	12,8	6,2	1%	41%	4%	3%	3,5	12%

Source: Bloomberg; BiG Research

Amadeus trades with a multiple profile at a premium in comparison to peers and with a PER 2019E and PER 2020E in line with historical values. The company also has an above average price to book value multiple. The return on equity of Amadeus is below peer Sabre and the return on assets is above peers, as well as EBIT margin. The company has a less leveraged balance sheet, with a net debt to EBITDA ratio of 1,6x (vs. 3,5x average of peers).

▲ Financial Accounts

Amadeus FY2018 revenues increased 6% to EUR 4,9 bn in 2018, with the operating income also expanding by 6% to EUR 1,4 bn and operating margin remaining stable at 28%. Net income fell slightly from EUR 1.005 mn in 2017 to EUR 1.003 mn in 2018. The company defined a total dividend of EUR 1,175 per share relative to 2018 results, of which EUR 0,51 was already paid and only EUR 0,665 remains outstanding. During 2018 the company completed the 1st tranche of the share buyback program, acquiring 1,721% of its own share capital for EUR 500 mn. Following the announcement of TravelClick's acquisition, Amadeus announced that the second tranche of the buyback program (of EUR 500 mn) was cancelled. The company announced and completed the acquisition of TravelClick, a U.S.-based leading global provider of technology and business solutions to the hospitality industry, for USD 1,52 bn in 2018. During the same year the company also acquired additional 70,12% shares of Hiberus, a leading provider of inventory management systems and packaging capabilities for tour operators, travel agencies and event management companies and 70% of Argo IT.

In 2019 the company acquired ICM Airport Technics, an Australian passage automation firm, for an undisclosed amount.

▲ Corporate Governance

Amadeus IT CEO, since 2011, is Luis Maroto Camino. Before rising to the CEO position, Luis Maroto Camino was the deputy CEO of Amadeus between 2009 and 2010. In 2017 he received a fixed salary of EUR 0,9 mn, a bonus of EUR 1,1 mn and stock awards of EUR 2,7 mn, totalling a compensation of EUR 4,7 mn.

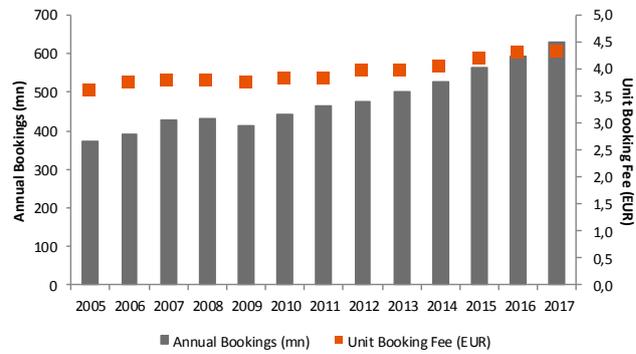
Graph



Source: BiGlobalTrade; BiG Research

Appendix

1. Amadeu's Bookings and Fees



Source: Amadeus Presentation

Note: Unit Booking Fee= booking revenue/total bookings

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 - Accumulate, expected absolute return between +5% and +15%;
 - Keep/Neutral, expected absolute return between -5% and +5%;
 - Reduce, expected absolute return between -5% and -15%;
 - Sell, expected absolute return below -15%;

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PSI20 Notes in the last 12 months as of 31st of March of 2019:

	Number of Recommendations	%
Accumulate/Buy	1	33,3%
Keep/Neutral	1	33,3%
Reduce/Sell	1	33,3%
Total	3	100,0%

Trading Ideas in the last 12 months as of 31st of March of 2019:

	Number of Recommendations	%
Profit Taking	8	50,0%
Stop Loss	8	50,0%
In Place	0	0,0%
Total	16	100,0%

Pair Trades in the last 12 months as of 31st of March of 2019:

	Number of Recommendations	%
Profit Taking	0	0%
Stop Loss	0	0%
In Place	0	0%
Total	0	0%

Source: BiG Research

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