



Rating Action: Moody's upgrades Getty Images' CFR to B1; outlook stable

05 Dec 2023

Approximately \$1.5 billion of committed and outstanding rated debt affected

New York, December 05, 2023 – Moody's Investors Service ("Moody's") upgraded Getty Images, Inc.'s ("Getty" or the "company") Corporate Family Rating (CFR) to B1 from B2 and Probability of Default Rating (PDR) to B1-PD from B2-PD. Concurrently, Moody's upgraded Getty's senior secured first-lien debt obligations to Ba3 from B1 (comprising the \$150 million revolving credit facility (RCF), \$639.6 million outstanding term loan B and €419 million outstanding euro term loan B) and senior unsecured notes to B3 from Caa1 (\$300 million outstanding). Moody's also assigned a Speculative Grade Liquidity (SGL) rating of SGL-1. The outlook was changed to stable from positive.

RATINGS RATIONALE

The ratings upgrade reflects Moody's expectation for continued deleveraging following Getty's 2022 de-SPAC transaction driven by an expected return to top-line growth in 2024 and improvement in operating performance, debt protection measures and liquidity. Though macroeconomic headwinds and muted advertising spend slowed the pace of deleveraging this year, Moody's projects decreasing leverage and solid free cash flow (FCF) generation over the rating horizon.

Notwithstanding recent revenue pressures (i.e., reported revenue was down 0.6% year-to-date (YTD) through 30 September) from the challenged macroeconomic environment, adverse foreign exchange movements, subdued advertising spend across ad agency clients, and the dual Hollywood strikes that impacted demand in both the Creative and Editorial units, Getty managed to maintain EBITDA margins (Moody's adjusted) in the 30% range, generate positive FCF and make voluntary debt repayments (\$40 million YTD through 30 September). This reflects the company's variable cost structure, effective expense controls as well as favorable product mix. It also captures the continued growth in annual subscription revenue (roughly 53% of total YTD revenue) as the company continued to focus on driving customers to its e-commerce solutions, which helped to improve revenue stability. At LTM 30 September 2023, financial leverage, as measured by total debt to EBITDA, was roughly 5x (Moody's adjusted, including our standard operating lease adjustment and excluding non-cash gains on foreign currency and fair value adjustments for swaps and foreign exchange contracts), while FCF/debt was 5.4% (Moody's adjusted).

The stable outlook reflects Moody's expectation that Getty will gradually de-lever to the 4.7x area (Moody's adjusted) once revenue and EBITDA resume growth following the recent period of sluggish demand for the company's visual, digital and video content. While Moody's expects the residual effect of the protracted strikes to negatively impact revenue growth at least through H1 2024, as movie and episodic TV productions take time to resume their normal cadence, the Editorial business will experience solid growth from media spend associated with the US presidential election, Summer Olympic Games and UEFA European Football Championship occurring next year. These cyclical events combined with recommencement of film and TV production volumes to pre-strike levels in H2 2024 should lead to organic revenue growth in the low-single digit percentage range next year. EBITDA margins are expected to remain near current levels as Getty continues to invest in maintaining staffing levels and incur legal costs associated with ongoing litigation.

Getty's B1 CFR reflects the company's differentiation relative to competitors, which includes its: (i) global position as the leading source of visual content with over 1 million customers annually across more than 200 countries; (ii) sizable

collection of pictorial content, believed to be one of the largest and broadest in the world under the Unsplash.com and iStock.com logos (budget-conscious) as well as Getty's (premium) brands; compared to peers, Getty has the deepest offering of exclusive and premium content with a strong localized presence; (iii) variable cost operating model with imagery and video content sourced from independent and staff photographers, videographers, owned archives, content partners and individual contributors; (iv) reduced revenue volatility as subscription revenue is now a larger proportion of revenue; (v) long-term relationships across a broad customer base comprising news, entertainment and sports publishing organizations; and (vi) good geographic diversification.

The B1 CFR is constrained by: (i) Getty's moderately high leverage, albeit expected to decline; (ii) exposure to SMBs and consumer discretionary businesses that are typically more cyclical and likely to experience greater pullback in spend compared to larger firms during economic slowdowns and downturns; and (iii) continued market demand for lower-priced stock imagery products (a very competitive space), offset by continued growth in client demand for Getty's exclusive content.

Over the next 12-18 months, Moody's expects Getty will maintain very good liquidity supported by annual positive FCF generation in the range of \$80-\$100 million, unrestricted cash balances of at least \$100 million (unrestricted cash totaled approximately \$114 million at 30 September 2023) and access to the \$150 million RCF (currently undrawn) maturing in 2028. Getty expects to make principal payments of at least \$10.4 million over the next 12 months, which Moody's projects the company will fund from internal sources.

ESG CONSIDERATIONS

Getty's CIS-4 indicates that the rating is lower than it would have been if ESG risk exposures did not exist. This is chiefly driven by governance risks as denoted by the G-4 governance score resulting from Getty's moderately high financial leverage and concentrated ownership structure, as well as human capital risks as indicated by the S-3 social score.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

A ratings upgrade could occur if Getty: (i) demonstrates at least mid-single-digit percentage organic revenue growth driven by clients' continuing demand for the company's visual imagery products and stable-to-improving product pricing; and (ii) exhibits a continued mix shift to higher volume enterprise subscriptions and higher margin Royalty-Free products. Additionally, upward rating pressure could occur if free cash flow to debt is sustained in the mid-to-high single-digit percentage range and total debt to EBITDA is sustained below 4x (both metrics are Moody's adjusted). Ratings could be downgraded if operating performance tracks below Moody's expectations or if total debt to EBITDA is sustained above 5x (Moody's adjusted). Ratings could also experience downward pressure if liquidity deteriorates such that free cash flow to debt is sustained below 4.5% (Moody's adjusted).

Headquartered in Seattle, WA, Getty Images, Inc. is a wholly-owned subsidiary of Getty Images Holdings, Inc., a leading creator and distributor of still imagery, vector, video and multimedia products, as well as a recognized provider of other forms of premium digital content, including music. The company was founded in 1995 and provides stock images, music, video and other digital content through [gettyimages.com](https://www.gettyimages.com), [iStock.com](https://www.istock.com) and [Unsplash.com](https://www.unsplash.com). Revenue totaled approximately \$922 million for the twelve months ended 30 September 2023.

The principal methodology used in these ratings was Media published in June 2021 and available at <https://ratings.moodys.com/rmc-documents/72920>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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