

28th September 2016

TMT

Indra Sistemas

Price EUR12.00

Launch of a EUR250m convertible bond issue

Fair Value EUR11 (-8%)

NEUTRAL

Bloomberg	IDR SM
Reuters	IDR.MC
12-month High / Low (EUR)	12.3 / 7.7
Market Cap (EURm)	1,970
Avg. 6m daily volume (000)	695.3

	1 M	3 M	6 M	31/12/15
Absolute perf.	2.6%	38.7%	15.6%	38.4%
Softw.& Comp.				
SVS	2.9%	22.8%	11.7%	8.0%
DJ Stoxx 600	-1.0%	10.2%	1.5%	-7.0%

	2015	2016e	2017e	2018e
P/E	NS	25.0x	14.6x	11.3x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- **This morning Indra announced the launch of the issuing of bonds convertible into and/or exchangeable for ordinary shares**, for a nominal amount of EUR250m, subject to an increase option of up to EUR50m. The bonds, which will be issued at 100% of their nominal value, will accrue fixed interest, payable every 6 months in arrears, at a yearly rate expected to be between 0.5% and 1.25%, and will mature on the 7th anniversary of the issue date. In addition, the bonds will be convertible or exchangeable into shares with a conversion premium of 25-30%.
- **Financing the purchase of convertible bonds maturing in 2018.** Indra intends to use a portion of the proceeds of the new issue, up to EUR100m, to finance the repurchase of part of its outstanding 2018 convertible bonds issued in October 2013 for EUR250m and bearing an annual coupon of 1.75%, through a reverse book building process and it is expected that will range between 104% and 105% of the principal amount on the 2018 bonds. The purchased 2018 bonds will be cancelled by Indra. We estimate that, from 2018 onwards, the new bond issue will reduce Indra's annual interest charge between EUR1.3m and up to EUR3.1m.

VALUATION

- Indra's shares are trading at est. 16.6x 2016 and 10.5x 2017 EV/EBVIT multiples.
- Net debt on 30th June 2016 was EUR659.4m (net gearing: 199%).

NEXT CATALYSTS

Q3 2016 results in November.

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