

Indra Sistemas

Price EUR11.80

Final terms and conditions of the EUR250m convertible bond issue

Fair Value EUR12 vs. EUR11 (+2%)

NEUTRAL

| | |
|----------------------------|------------|
| Bloomberg | IDR.SM |
| Reuters | IDR.MC |
| 12-month High / Low (EUR) | 12.3 / 7.7 |
| Market Cap (EURm) | 1,937 |
| Avg. 6m daily volume (000) | 703.3 |

| | 1 M | 3 M | 6 M | 31/12/15 |
|----------------|-------|-------|-------|----------|
| Absolute perf. | 0.9% | 30.5% | 13.7% | 36.1% |
| Softw. & Comp. | | | | |
| SVS | 3.5% | 20.4% | 12.4% | 8.7% |
| DJ Stoxx 600 | -0.3% | 8.2% | 2.2% | -6.4% |

| | 2015 | 2016e | 2017e | 2018e |
|---------------|------|-------|-------|-------|
| P/E | NS | 25.7x | 14.9x | 11.7x |
| Div yield (%) | NM | NM | NM | NM |

ANALYSIS

- **Final terms and conditions.** Yesterday afternoon, Indra announced the final terms and conditions of its EUR250m issuance of bonds convertible into and/or exchangeable for ordinary shares and maturing in October 2023: 1) the bonds will bear a nominal annual fixed interest of 1.25%, at the top end of the initial 0.5-1.25% range; 2) the initial conversion price is EUR14.63 per share or a premium of 25% over the closing price as of 26th September, at the bottom end of the initial 25-30% range; 3) the proceeds of this bond issue will be used for repurchasing EUR95m or 38% of the 1.75% convertible bonds maturing in October 2018 at 105% of its principal, or EUR100m.
- **Adjusting our fair value from the issuance and better cost of debt assumptions.** We raise our DCF-derived fair value to EUR12 from EUR11 as we reduce our WACC to 11.2% from 11.6% given our new cost of debt assumption of 3.1% (vs. 4.2%) - which has a net effect of +EUR2 to our fair value. This offsets the dilutive effect to our EPS ests. from the new convertible bond issue (-EUR1/share), net from repurchase of the old convertible bonds (6%, i.e. 10% minus 4%). We estimate that from October 2018 onwards Indra will reduce its annual interest charge by EUR1.3m.

VALUATION

- Indra's shares are trading at est. 16.4x 2016 and 10.4x 2017 EV/EBIT multiples.
- Net debt on 30th June 2016 was EUR659.4m (net gearing: 199%).

NEXT CATALYSTS

Q3 2016 results in November.

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BUY ratings 55,8%

NEUTRAL ratings 32,5%

SELL ratings 11,7%

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| | | | |
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