



David Peña Delgado  
+ 34 91 436 5169  
david.pena@keplercm.com

Price  
EUR13.54

Target  
EUR16.00

Previous  
Buy

Buy

## Down but not out

The challenging situation facing the Spanish IT sector may hamper a return to higher margins and dynamic expansion rates. 2011 guidance is not encouraging, but we think Indra is close to a recovery, while the upside under a cautious approach is still attractive. TP cut to EUR16. Buy

Spain Software & computer services

# Indra

COMPANY UPDATE

26 January 2011

Reuters IDR.MC  
Bloomberg IDR SQ  
Index DJ Stoxx 600

### In brief

- > Weak 2010 pre-close figures and disappointing 2011 guidance
- > EBIT trimmed by 7% and 11% for 2011 and 2012 respectively
- > Target price cut from EUR18 to EUR16, Buy rating maintained

### Latest financials

Market cap (EURbn)	2.2
Free float	59%
Shares outstanding (m)	164
Daily trade volume ('000)	875
YTD abs. performance	6%
52-week high (EUR)	16.47
52-week low (EUR)	12.32
Enterprise value (EURm)	2,449
Net debt (EURm)	181

(EUR)	2009	2010E	2011E
Sales	2,513.2	2,557.7	2,607.7
EBITDA	329.6	326.7	317.8
EBIT	287.5	286.3	275.5
Pretax profit	260.7	233.1	256.1
Net profit (adj)	195.6	187.9	204.1
EPS (adj)	1.21	1.16	1.26
DPS	0.66	0.69	0.75
P/E	13.0	12.3	10.8
EV/sales	1.1	1.0	0.9
EV/EBITDA	8.4	7.8	7.7
EV/EBIT	9.6	8.9	8.9
Net div. yield	4.2%	4.8%	5.5%

Financial year end: 31 December



### In detail

#### Weak 2010 pre-close figures and disappointing 2011 guidance

Indra released 2010 pre-close figures at the bottom end of its guidance range and EUR33m provisions for restructuring plans well above the initial EUR11m announced by the company. The key lines of 2011 guidance suggest another tough year: 1) revenues are expected to increase at least 2% (with Spain in the red); 2) order intake should expand more than in 2010 (EUR2.9bn), which implies another year of backlog growth; 3) the EBIT margin should be higher than 10.5%, which compares negatively with our previous 11.2% forecast; 4) dividends to be distributed in 2011 against 2010 profits are expected to be similar or higher than in 2010 (EUR0.66/share), which discounts a growing payout. We are concerned about the company's ability to attain profitable top-line growth and generate positive free cash flow.

#### EBIT trimmed by 7% and 11% for 2011 and 2012 respectively

We lower our estimates, forecasting respectively 4.0% and 4.5% sales and net profit CAGRs in 2009-16. Future revenues will be mostly sustained by services rather than solutions, international expansion (Spain should contribute around 50% of revenues by 2016) and the good performance of the transport & traffic, telecom & media and financial services units.

#### Target price cut from EUR18 to EUR16, Buy rating maintained

We calculate EUR15.9 equity value per share through a two-step DCF method with 9% WACC and 2% terminal growth, while our SOP (based on EV/sales and the EV/EBITDA multiples of the services and solution businesses) yields EUR15.9 equity value per share. We therefore cut our target price by 11% from EUR18 to EUR16. Although we expect the weak earnings momentum to continue in the following quarters (recovery expected for late 2011 and 2012) and some stock overhang concerns to possibly appear in the market (20% stake of Caja Madrid and 5% of Caja Astur), we maintain a Buy rating on the back of the 18% upside, the company's leading position in the market and its strong balance sheet.

Please refer to the last page of this report for "Important disclosures" and analyst(s) certifications.

Amsterdam Frankfurt Geneva London Madrid Milan New York Paris Zurich

### Weak 2010 pre-close figures and disappointing 2011 guidance

Indra has released 2010 pre-close figures and its main 2011 guidance. In 2010, revenues grew by 1.9% to EUR2.557bn, at the lower end of the 2-4% growth range, with Spanish business falling 3% and international up 10%. Order intake expanded 7% to EUR2.9bn (beating the initial 5% target) while the recurrent EBIT margin was 11.2%, broadly in line with 2009 and our forecast. The company finally provisioned EUR33m for restructuring plans, well above our EUR17m forecast and the initial EUR11m announced in early 2010. On the back of all these figures, Indra expects net profit of EUR189m: a 3% decline versus 2009.

The initial guidance announced for 2011 suggests another challenging year, especially in the domestic market, where growth will continue to be negative.

1. **Revenues are expected to increase at least 2%** (below our 3.1% estimate), relying on a steady performance in the international arena, which already contributes 40% of total revenues.
2. **Order intake should expand more than in 2010** (EUR2.9bn), which put in context with revenues guidance implies another year of backlog growth.
3. **EBIT margins** (recurrent and non-recurrent, as management is not contemplating further adjustments in 2011) should be higher than 10.5%, which compares negatively with our 11.2% forecast.
4. **Dividend distributed in 2011** against 2010 profits is expected to be similar or higher to the one distributed in 2010 (EUR0.66/share), which implies a higher payout ratio.

In global terms, the guidance offered for 2011 is not encouraging, especially the poor profitability ratios expected for the business. The 10.5% EBIT margin target is one of the worst company indicators ever (10.4% in 2000, 9.3% in 2003, 10.3% in 2007 but with very important M&A activity), and that when Indra has just invested EUR33m (equivalent to 1.3% of sales) in restructuring measures last year. In our view, both factors reflect the very poor quality of the backlog in terms of prices. On the back of this assumption, the growing dividend distribution and the higher volume of investment expected in trade working capital, the generation of free cash flow is set to be extremely limited.

### EBIT trimmed by 7% and 11% for 2011 and 2012 respectively

Based on Indra's updated business scenario, we lower all our estimates.

**Table 1: Change in estimates (EURm)**

	2011E			2012E		
	Old	New	% change	Old	New	% change
Revenues	2,693	2,608	-3.2%	2,845	2,733	-3.9%
EBIT	295	276	-6.6%	344	305	-11.4%
EBIT margin	11.0%	10.6%	-0.4%	12.1%	11.2%	-0.9%
Net profit	217	204	-5.9%	251	226	-10.1%
EPS (EUR)	1.33	1.26	-5.3%	1.54	1.39	-9.7%

Source: Kepler Capital Markets

The company's main concern is the profitability of its existing backlog and the ability to get the EBIT margin back to traditional levels. We think the company has prioritised top-line growth above all, biased towards low value-added services rather than solutions and favouring international expansion in spite of the low potential profitability of some contracts. On top of that, in 2011 we should see the positive effects of the recent restructuring plan, although we do not expect material benefits from this, as during 2010 the company was integrating staff from clients in different corporate transactions. In conclusion, we will look very closely at 2011 operating margins, expecting no positive surprises.

With regards to our new estimates, it is worth mentioning the top line is mostly sustained by services rather than solutions, international expansion (Spain should contribute around 50% of revenues by 2016) and the good performance of transport & traffic, telecom & media and financial services (energy, public administrations and security & defence are likely to be the worst performers).

**Table 2: Revenues & P&L summary (EURm)**

Concept	2008	2009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	CAGR 2009-16
Solutions	1,750.5	1,826.7	1,780.6	1,782.5	1,842.3	1,928.4	2,023.0	2,111.0	2,194.2	2.7%
Services	629.1	686.6	777.1	825.2	890.7	975.5	1,040.1	1,089.7	1,123.5	7.3%
Spain	1,567.3	1,613.0	1,564.6	1,541.1	1,581.9	1,631.3	1,676.1	1,713.7	1,745.0	1.1%
International	812.2	900.2	993.1	1,066.5	1,151.1	1,272.6	1,387.1	1,487.0	1,572.7	8.3%
Transport & Traffic	433.5	497.6	547.4	596.6	644.4	689.5	730.8	767.4	798.1	7.0%
Telecom & Media	244.3	270.2	316.1	331.9	355.2	387.1	418.1	447.4	474.2	8.4%
Public Administrations & Healthcare	331.7	347.5	368.4	375.7	390.7	414.2	434.9	456.6	479.5	4.7%
Financial Services	312.4	334.4	367.8	386.2	413.3	450.5	482.0	506.1	526.3	6.7%
Energy & Industry	374.0	381.6	351.1	340.5	364.4	386.2	397.8	405.8	409.8	1.0%
Security & Defense	683.7	682.0	607.0	576.6	565.1	576.4	599.5	617.4	629.8	-1.1%
<b>Revenues</b>	<b>2,379.6</b>	<b>2,513.2</b>	<b>2,557.7</b>	<b>2,607.7</b>	<b>2,733.0</b>	<b>2,903.9</b>	<b>3,063.1</b>	<b>3,200.7</b>	<b>3,317.7</b>	<b>4.0%</b>
EBITDA	308.3	327.4	293.7	317.8	351.7	381.0	390.4	408.7	422.0	3.7%
<b>EBIT</b>	<b>270.6</b>	<b>285.4</b>	<b>253.3</b>	<b>275.5</b>	<b>305.1</b>	<b>333.6</b>	<b>339.8</b>	<b>355.5</b>	<b>367.3</b>	<b>3.7%</b>
EBIT margin	11.4%	11.4%	9.9%	10.6%	11.2%	11.5%	11.1%	11.1%	11.1%	
<b>Net profit</b>	<b>182.5</b>	<b>195.6</b>	<b>187.9</b>	<b>204.1</b>	<b>225.7</b>	<b>246.7</b>	<b>249.3</b>	<b>259.3</b>	<b>266.3</b>	<b>4.5%</b>
Net cash flow	220.2	237.6	228.2	246.4	272.3	294.1	299.9	312.5	321.0	4.4%

Source: Kepler Capital Markets

**Target price cut from EUR18 to EUR16, Buy rating maintained**

We calculate EUR15.9 equity value per share through a two-step DCF method with 9% WACC and 2% terminal growth, while our SOP (based on EV/sales and EV/EBITDA multiples of the services and solution businesses) yields EUR15.9 equity value per share. On the back of all our changes to our estimates and valuation assumptions, we cut our target price by 11% from EUR18 to EUR16. Although we expect weak earnings momentum to continue in the following quarters (recovery expected for late 2011 and 2012) and some stock overhang concerns to possibly emerge in the market (20% stake of Caja Madrid and 5% of Caja Astur), we maintain our Buy rating given the 18% upside, the company's strong market position and its solid balance sheet.

**Table 3: DCF valuation summary (EURm)**

Concept	Value
NPV annual flows	739
NPV terminal value	2,146
<b>Enterprise value</b>	<b>2,885</b>
Net debt	185
Minorities	127
<b>Equity value</b>	<b>2,573</b>
Company million of shares	164.1
Treasury stock million shares	1.6
Adjusted million of shares	162.6
<b>Equity value per share (EUR)</b>	<b>15.8 €</b>

Source: Kepler Capital Markets

**Table 4: SOP valuation summary (EURm)**

Concept	Sales 2011	EBITDA 2011	EV/Sales 2011	EV/EBITDA 2011	EV by sales	EV by EBITDA	Value
Solutions	1,783	217	1.25 x	10.0 x	2,228	2,172	2,200
Services	825	101	0.85 x	7.0 x	701	704	703
<b>Enterprise value</b>	<b>2,608</b>	<b>318</b>	<b>1.12 x</b>	<b>9.1 x</b>	<b>2,930</b>	<b>2,876</b>	<b>2,903</b>
Net debt							185
Minorities							127
<b>Equity value</b>							<b>2,591</b>
Million shares outstanding							164.1
Treasury stock million shares							1.6
Adjusted million of shares							162.6
<b>Equity value per share</b>							<b>15.9 €</b>

Source: Kepler Capital Markets

**Table 5: Peer companies**

Company	Rating	Price	Target price	Upside	Performance				P/E 2011	P/CF 2011	EV/EBITDA 2011	EV/EBIT 2011
					1M	3M	6M	1Y				
<b>Indra</b>	<b>Buy</b>	<b>€13.54</b>	<b>€16.00</b>	<b>18.2%</b>	<b>3.5%</b>	<b>-5.9%</b>	<b>6.4%</b>	<b>-15.8%</b>	<b>10.8</b>	<b>11.5</b>	<b>7.7</b>	<b>8.9</b>
Alten	Buy	€25.25	€27.00	6.9%	3.5%	4.9%	17.4%	22.9%	13.3	12.4	6.9	7.4
Altran Technologies	Buy	€3.61	€4.50	24.5%	11.1%	18.2%	22.4%	-14.8%	12.8	12.6	7.7	8.7
Atos Origin	Hold	€39.94	€39.00	-2.4%	0.7%	16.6%	19.0%	14.1%	12.6	6.4	4.6	8.7
Cap Gemini	Buy	€37.31	€42.00	12.6%	5.3%	-0.1%	5.5%	13.0%	16.6	11.3	5.6	7.1
Logica	Hold	€1.60	€1.62	1.5%	3.7%	8.5%	26.5%	16.8%	10.8	8.7	6.5	7.4
Sopra	Buy	€66.67	€78.00	17.0%	14.9%	13.2%	22.5%	26.9%	11.2	9.0	5.9	6.8
Steria	Buy	€21.12	€27.00	27.9%	9.4%	6.0%	1.3%	-2.0%	9.3	7.5	5.1	6.6
Tietoanator	Reduce	€15.82	€12.50	-21.0%	10.3%	6.5%	23.0%	0.3%	12.5	7.5	5.6	8.6

Source: Kepler Capital Markets

## Key financials

### Company profile

Indra is the leading IT company in Spain and also one of the largest players in the Security & Defense activity in the domestic market. The company has strong international presence, highlighting its exposure to Latin America and Europe. Although Indra enjoys very good organic growth rates in all the business lines the company also complements the expansion by running strategic acquisitions.

Top shareholders		Events calendar	
Caja Madrid	20.0%	FY 2010 results	24/02/2011
Corp. Fin. Alba	10.0%		
CG. Cartagena	5.7%		
Caja Astur	5.0%		

### Income statement, 31 December (EURm)

	2009	2010E	2011E	2012E
<b>Sales</b>	<b>2,513.2</b>	<b>2,557.7</b>	<b>2,607.7</b>	<b>2,733.0</b>
<b>EBITDA adjusted</b>	<b>329.6</b>	<b>326.7</b>	<b>317.8</b>	<b>351.7</b>
<b>EBITA adjusted</b>	<b>287.5</b>	<b>286.3</b>	<b>275.5</b>	<b>305.1</b>
<b>EBIT adjusted</b>	<b>287.5</b>	<b>286.3</b>	<b>275.5</b>	<b>305.1</b>
Net financial	-24.5	-20.2	-19.4	-18.3
Non recurring items	-2.2	-33.0	0.0	0.0
Associates	-0.1	0.0	0.0	0.0
<b>PBT</b>	<b>260.7</b>	<b>233.1</b>	<b>256.1</b>	<b>286.9</b>
Income tax	-62.7	-44.3	-51.2	-60.2
Tax rate (%)	24.1%	19.0%	20.0%	21.0%
Others	0.0	0.0	0.0	0.0
Minorities	-2.4	-0.9	-0.8	-0.9
<b>Reported net earnings</b>	<b>195.6</b>	<b>187.9</b>	<b>204.1</b>	<b>225.7</b>
Adjustments	0.0	0.0	0.0	0.0
<b>Adj. net earnings (group)</b>	<b>195.6</b>	<b>187.9</b>	<b>204.1</b>	<b>225.7</b>

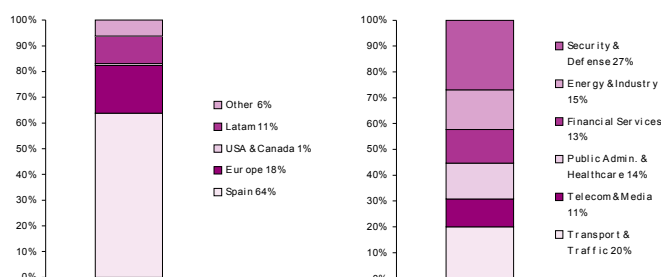
### Cash-flow statement (EURm)

	2009	2010E	2011E	2012E
Net earnings	198.0	188.8	204.9	226.6
D&A	42.0	40.3	42.2	46.6
Change in TWC	-55.9	-77.0	-53.8	-29.7
Other changes & non-cash	0.0	0.0	0.0	0.0
<b>Operating cash flow</b>	<b>181.7</b>	<b>151.2</b>	<b>192.5</b>	<b>242.6</b>
Capex	-79.8	-85.0	-66.0	-68.0
<b>Free cash-flow</b>	<b>101.9</b>	<b>66.2</b>	<b>126.5</b>	<b>174.6</b>
Disposals	54.5	0.0	0.0	0.0
Financial investments	-20.7	-10.0	-10.0	0.0
Investing cash flow	-46.0	-95.0	-76.0	-68.0
Change in equity	14.3	0.0	0.0	0.0
Change in debt	-8.9	0.0	0.0	0.0
Dividends	-100.1	-107.3	-112.7	-122.5
Others	2.4	0.9	0.8	0.9
Financing cash flow	-92.3	-106.4	-112.0	-121.6
Change in cash & equivalents	43.3	-50.2	4.6	53.0
Change in net debt	-52.3	50.2	-4.6	-53.0

### Ratios

	2009	2010E	2011E	2012E
Sales growth (%)	5.6%	1.8%	2.0%	4.8%
EBITDA growth (%)	6.6%	-0.9%	-2.7%	10.7%
EBIT growth (%)	5.9%	-0.4%	-3.8%	10.7%
Net earnings growth (%)	7.2%	-3.9%	8.6%	10.6%
Gross margin (%)	53.2%	53.8%	52.8%	53.3%
EBITDA margin (%)	13.1%	12.8%	12.2%	12.9%
EBIT margin (%)	11.4%	11.2%	10.6%	11.2%
Net earnings margin (%)	7.8%	7.3%	7.8%	8.3%
Net debt/equity (%)	13.8%	17.5%	15.7%	10.2%
Net debt/EBITDA (%)	41.0%	56.7%	56.8%	36.3%
ROE (%)	22.8%	19.3%	19.3%	19.5%
ROCE (%)	27.1%	24.3%	21.4%	22.5%
Equity/total assets (%)	39.2%	40.9%	43.2%	44.7%
TWC/sales (%)	22.1%	24.3%	25.3%	25.1%
Operating CF/sales (%)	7.2%	5.9%	7.4%	8.9%
Capex/sales (%)	3.2%	3.3%	2.5%	2.5%
FCF/sales (%)	4.1%	2.6%	4.9%	6.4%
Capex/D&A (%)	189.7%	210.8%	156.3%	146.0%
Dividend pay out (%)	54.3%	59.4%	59.4%	59.4%

### Sales split – Geographical and divisional



### Balance sheet, 31 December (EURm)

	2009	2010E	2011E	2012E
Cash and equivalents	66.5	16.3	20.9	73.9
Account receivables	1,591.8	1,674.8	1,693.9	1,761.5
Other current assets	44.3	56.1	71.4	74.9
<b>Current assets</b>	<b>1,702.7</b>	<b>1,747.2</b>	<b>1,786.3</b>	<b>1,910.3</b>
Goodwill	440.2	440.2	440.2	440.2
Other intangible assets	133.6	174.5	194.7	214.4
Property, plant & equipment	140.4	144.2	147.7	149.5
Financial assets	72.7	82.7	92.7	92.7
<b>Fixed assets</b>	<b>786.9</b>	<b>841.5</b>	<b>875.3</b>	<b>896.8</b>
Short-term debt	99.6	141.1	141.1	141.1
Accounts payable	1,036.8	1,054.5	1,035.2	1,076.5
Other current liabilities	179.8	179.8	179.8	179.8
<b>Current liabilities</b>	<b>1,316.2</b>	<b>1,375.3</b>	<b>1,356.0</b>	<b>1,397.3</b>
Long-term debt	101.9	60.5	60.5	60.5
Pension provisions	0.0	0.0	0.0	0.0
Other long-term liabilities	94.3	94.3	94.3	94.3
<b>Long-term liabilities</b>	<b>196.2</b>	<b>154.8</b>	<b>154.8</b>	<b>154.8</b>
Shareholders' equity	931.8	1,012.4	1,103.8	1,207.1
Minority interest	45.3	46.3	47.0	47.9
<b>Total shareholders' equity</b>	<b>977.1</b>	<b>1,058.7</b>	<b>1,150.9</b>	<b>1,255.0</b>
<b>Net debt</b>	<b>135.0</b>	<b>185.2</b>	<b>180.6</b>	<b>127.6</b>
<b>Trade working capital</b>	<b>555.0</b>	<b>620.3</b>	<b>658.7</b>	<b>685.0</b>
<b>Capital employed</b>	<b>1,112.1</b>	<b>1,243.8</b>	<b>1,331.5</b>	<b>1,382.6</b>
<b>Total assets</b>	<b>2,489.5</b>	<b>2,588.7</b>	<b>2,661.6</b>	<b>2,807.0</b>

### Per share (EUR)

	2009	2010E	2011E	2012E
EPS adjusted	1.21	1.16	1.26	1.39
EPS reported	1.21	1.16	1.26	1.39
CFPS	1.11	0.92	1.17	1.48
BVPS	5.68	6.17	6.73	7.35
DPS	0.66	0.69	0.75	0.83
Year-end nb of shares(m)	161.1	162.6	162.6	162.6
Av. diluted nb of shares(m)	161.1	162.6	162.6	162.6

### Valuation

	2009	2010E	2011E	2012E
P/E	13.0	12.3	10.8	9.7
P/BV	2.8	2.3	2.0	1.8
P/CF	14.2	15.4	11.5	9.2
Dividend yield	4.2%	4.8%	5.5%	6.1%
FCF yield	3.8%	2.8%	5.7%	7.8%
EV/sales	1.1	1.0	0.9	0.9
EV/EBITDA	8.4	7.8	7.7	6.8
EV/EBITA	9.6	8.9	8.9	7.9
EV/EBIT	9.6	8.9	8.9	7.9
EV/capital employed	2.6	2.2	1.9	1.8

# Research ratings and important disclosures

## Disclosure checklist - Potential conflict of interests

Stock	ISIN	Disclosure (See Below)	Currency	Price
Alten	FR0000071946	nothing to disclose	EUR	25.25
Altran Technologies	FR0000034639	nothing to disclose	EUR	3.61
Atos Origin	FR0000051732	nothing to disclose	EUR	39.94
Cap Gemini	FR0000125338	nothing to disclose	EUR	37.31
Indra	ES0118594417	nothing to disclose	EUR	13.54
Logica	GB0005227086	nothing to disclose	GBP	137.90
Sopra	FR0000050809	nothing to disclose	EUR	66.67
Steria	FR0000072910	nothing to disclose	EUR	21.12
Tietoerator	FI0009000277	nothing to disclose	EUR	15.82

Source: Factset closing prices of 25/01/2011

Stock prices: Prices are taken as of the previous day's close (to the date of this report) on the home market unless otherwise stated.

### Key:

1. Kepler Capital Markets (KCM) holds or owns or controls 5% or more of the issued share capital of this company; 2. The company holds or owns or controls 5% or more of the issued share capital of KCM; 3. KCM is or may be regularly carrying out proprietary trading in equity securities of this company; 4. KCM has been lead manager or co-lead manager in a public offering of the issuer's financial instruments during the last twelve months; 5. KCM is a market maker in the issuer's financial instruments; 6. KCM is a liquidity provider in relation to price stabilisation activities for the issuer to provide liquidity in such instruments; 7. KCM acts as a corporate broker or a sponsor or a sponsor specialist (in accordance with the local regulations) to this company; 8. KCM and the issuer have agreed that KCM will produce and disseminate investment research on the said issuer as a service to the issuer; 9. KCM has received compensation from this company for the provision of investment banking or financial advisory services within the previous twelve months; 10. KCM may expect to receive or intend to seek compensation for investment banking services from this company in the next three months; 11. The author of, or an individual who assisted in the preparation of, this report (or a member of his/her household), or a person who although not involved in the preparation of the report had or could reasonably be expected to have access to the substance of the report prior to its dissemination has a direct ownership position in securities issued by this company; 12. An employee of KCM serves on the board of directors of this company; 13. As at the end of the month immediately preceding the date of publication of the research report Kepler Capital Markets, Inc. beneficially owned 1% or more of a class of common equity securities of the subject company.

### Rating history:

Kepler Capital Markets' current rating for Indra is Buy and was issued on 5 May 2010. The preceding rating was Reduce.

**We did not disclose the rating to the issuer before its publication and dissemination.**

## Rating ratio Kepler Capital Markets Q4 2010

Rating breakdown	A	B
Buy	60.4%	0.0%
Hold	16.9%	0.0%
Reduce	21.4%	0.0%
Not Rated/Under Review/Accept Offer	1.5%	0.0%
Total	100.0%	0.0%

Source: Kepler Capital Markets

A: % of all research recommendations

B: % of issuers to which Investment Banking Services are supplied

From 9 May 2006, KCM's rating system consists of three ratings: Buy, Hold and Reduce. For a Buy rating, the minimum expected upside is 10% in absolute terms over 12 months. For a Hold rating the expected upside is below 10% in absolute terms. A Reduce rating is applied when there is expected downside on the stock. Target prices are set on all stocks under coverage, based on a 12-months view. Equity ratings and valuations are issued in absolute terms, not relative to any given benchmark.

### Analyst disclosures

The functional job title of the person(s) responsible for the recommendations contained in this report is **Equity Research Analyst** unless otherwise stated on the cover.

**Regulation AC - Analyst Certification:** Each equity research analyst(s) listed on the front-page of this report, principally responsible for the preparation and content of all or any identified portion of this research report hereby certifies that, with respect to each issuer or security or any identified portion of the report with respect to an issuer or security that the equity research analyst covers in this research report, all of the views expressed in this research report accurately reflect their personal views about those issuer(s) or securities. Each equity research analyst(s) also certifies that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that equity research analyst in this research report.

**Analyst Compensation:** The research analyst(s) primarily responsible for the preparation of the content of the research report attest that no part of the analyst's(s') compensation was, is or will be, directly or indirectly, related to the specific recommendations expressed by the research analyst's(s') in the research report. The research analyst's(s') compensation is, however, determined by the overall economic performance of KCM.

**Registration of non-US Analysts:** Unless otherwise noted, the non-US analysts listed on the front of this report are employees of KCM, which is a non-US affiliate and parent company of Kepler Capital Markets, Inc. a SEC registered and FINRA member broker-dealer. Equity Research Analysts employed by KCM, are not registered/qualified as research analysts under FINRA/NYSE rules, may not be associated persons of Kepler Capital Markets, Inc. and may not be subject to NASD Rule 2711 and NYSE Rule 472 restrictions on communications with covered companies, public appearances, and trading securities held by a research analyst account.

Please refer to [www.keplercapitalmarkets.com](http://www.keplercapitalmarkets.com) for further information relating to research and conflict of interest management.

### Regulators

Location	Regulator	Abbreviation
KCM France	Autorité des Marchés Financiers	AMF
KCM España	Comisión Nacional del Mercado de Valores	CNMV
KCM Germany	Bundesanstalt für Finanzdienstleistungsaufsicht	BaFin
KCM Italia	Commissione Nazionale per le Società e la Borsa	CONSOB
KCM Nederland	Autoriteit Financiële Markten	AFM
KCM Switzerland	Swiss Financial Market Supervisory Authority	FINMA
Kepler Capital Markets, Inc.	Financial Industry Regulatory Authority	FINRA

KCM is authorised and regulated by both Banque de France and Autorité des Marchés Financiers.

For further information relating to research recommendations and conflict of interest management please refer to [www.keplercapitalmarkets.com](http://www.keplercapitalmarkets.com).

# Legal and disclosure information

## Other disclosures

This product is not for retail clients or private individuals.

The information contained in this publication was obtained from various sources believed to be reliable, but has not been independently verified by Kepler Capital Markets (KCM). KCM does not warrant the completeness or accuracy of such information and does not accept any liability with respect to the accuracy or completeness of such information, except to the extent required by applicable law.

**This publication is a brief summary and does not purport to contain all available information on the subjects covered. Further information may be available on request. This report may not be reproduced for further publication unless the source is quoted.**

**This publication is for information purposes only and shall not be construed as an offer or solicitation for the subscription or purchase or sale of any securities, or as an invitation, inducement or intermediation for the sale, subscription or purchase of any securities, or for engaging in any other transaction. This publication is not for private individuals.**

Any opinions, projections, forecasts or estimates in this report are those of the author only, who has acted with a high degree of expertise. They reflect only the current views of the author at the date of this report and are subject to change without notice. KCM has no obligation to update, modify or amend this publication or to otherwise notify a reader or recipient of this publication in the event that any matter, opinion, projection, forecast or estimate contained herein, changes or subsequently becomes inaccurate, or if research on the subject company is withdrawn. The analysis, opinions, projections, forecasts and estimates expressed in this report were in no way affected or influenced by the issuer. The author of this publication benefits financially from the overall success of KCM.

The investments referred to in this publication may not be suitable for all recipients. Recipients are urged to base their investment decisions upon their own appropriate investigations that they deem necessary. Any loss or other consequence arising from the use of the material contained in this publication shall be the sole and exclusive responsibility of the investor and KCM accepts no liability for any such loss or consequence. In the event of any doubt about any investment, recipients should contact their own investment, legal and/or tax advisers to seek advice regarding the appropriateness of investing. Some of the investments mentioned in this publication may not be readily liquid investments. Consequently it may be difficult to sell or realise such investments. The past is not necessarily a guide to future performance of an investment. The value of investments and the income derived from them may fall as well as rise and investors may not get back the amount invested. Some investments discussed in this publication may have a high level of volatility. High volatility investments may experience sudden and large falls in their value which may cause losses. International investing includes risks related to political and economic uncertainties of foreign countries, as well as currency risk.

To the extent permitted by applicable law, no liability whatsoever is accepted for any direct or consequential loss, damages, costs or prejudices whatsoever arising from the use of this publication or its contents.

**KCM and its affiliates have implemented written procedures designed to identify and manage potential conflicts of interest that arise in connection with its research business, which are available upon request. The KCM research analysts and other staff involved in issuing and disseminating research reports operate independently of KCM Investment Banking business. Information barriers and procedures are in place between the research analysts and staff involved in securities trading for the account of KCM or clients to ensure that price sensitive information is handled according to applicable laws and regulations.**

## Country and region disclosures

**United Kingdom:** This document is for persons who are Eligible Counterparties or Professional Clients only and is exempt from the general restriction in section 21 of the Financial Services and Markets Act 2000 on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described in Articles 19(5) (Investment professionals) and 49(2) (High net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. Any investment to which this document relates is available only to such persons, and other classes of person should not rely on this document.

**United States:** Kepler Capital Markets S.A. (KCM) is the parent company and 100% owner of Kepler Capital Markets, Inc. KCM maintains offices in Amsterdam, the Netherlands; Frankfurt, Germany; Geneva and Zurich, Switzerland; London, United Kingdom; Madrid, Spain; Milan, Italy; and New York, United States. Specific address/location information is available at [www.keplercapitalmarkets.com](http://www.keplercapitalmarkets.com). This research is distributed in the United States by the entity that published the research as disclosed on the front page of this report to "major U.S. institutional investors," as defined under Rule 15a-6 promulgated under the U.S. Securities Exchange Act of 1934, as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission (SEC). This research is also distributed in the United States to other institutional investors by Kepler Capital Markets, Inc., who accepts responsibility for the contents of the research, subject to the qualifications stated in this publication which are hereby incorporated. U.S. persons seeking to execute a transaction in the securities discussed in this research should contact Kepler Capital Markets, Inc., 600 Lexington Avenue, New York, NY 10022, phone (212) 710-7600. Kepler Capital Markets, Inc. is a broker-dealer registered with the SEC and is a FINRA member firm. Nothing herein excludes or restricts any duty or liability to a customer that Kepler Capital Markets, Inc. has under applicable law. Investment products provided by or through Kepler Capital Markets, Inc. are not FDIC insured, may lose value and are not guaranteed by the entity that published the research as disclosed on the front page or Kepler Capital Markets, Inc.. Investing in non-U.S. Securities may entail certain risks. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements. The information available about non-U.S. companies may be limited, and non-U.S. companies are generally not subject to the same uniform auditing and reporting standards as U.S. companies. Securities of some non-U.S. companies may not be as liquid as securities of comparable U.S. companies. Analysts employed by non-U.S. broker-dealers are not required to take the FINRA analyst exam.

**France:** This publication is issued and distributed in accordance with art. L 544-1 and seq of the Code Monétaire et Financier and with the articles 321-122 to 321-138 of the General Regulations of the Autorité des Marchés Financiers (AMF).

**Germany:** This report may be amended, supplemented or updated in such manner and as frequently as the author deems.

**Italy:** This document is for Eligible Counterparties or Professional Clients only as defined by the CONSOB regulation 16190/07 (art. 26 and art. 58). Reports on companies listed on the Italian exchange are approved and distributed to over 500 clients in accordance with art. 69 of CONSOB Regulation 11971/1999 for enforcement of the Consolidation Act on financial brokerage (legislative decree 24/2/1998). According to this article KCM, branch of Milano warns on potential specific interests in securities mentioned. Equities discussed are covered on a continuous basis with regular reports at results release. Reports are released on the date shown on cover and distributed via print and email. KCM branch of Milano analysts are not affiliated with any professional groups or organisations. All estimates are by KCM unless otherwise stated.

**Spain:** Reports on Spanish companies are issued and distributed by KCM, branch of Madrid, registered in Spain by the Comisión Nacional del Mercado de Valores (CNMV) in the foreign investments firms registry (member of the Madrid exchange). Reports and any supplemental documentation or information have not been filled with the CNMV. Neither verification nor authorisation or compliance revision by the CNMV regarding this document and related documentation or information has been made.

**Switzerland:** This publication is intended to be distributed to professional investors in circumstances such that there is no public offer. This publication does not constitute a prospectus within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations.

**Canada:** The information provided in this publication is not intended to be distributed or circulated in any manner in Canada and therefore should not be construed as any kind of financial recommendation or advice provided within the meaning of Canadian securities laws.

**Other countries:** Laws and regulations of other countries may also restrict the distribution of this report. Persons in possession of this document should inform themselves about possible legal restrictions and observe them accordingly.

**Amsterdam**

Kepler Capital Markets Benelux  
De Entree 89  
Toren A 19<sup>th</sup> Floor  
1101 BH Amsterdam Zuid-Oost  
+31 20 563 2365

**Frankfurt**

Kepler Capital Markets Germany  
Taunusanlage 19  
60325 Frankfurt  
+49 69 756960

**Geneva**

Kepler Capital Markets SA  
Chemin du Joran 10  
1260 Nyon  
+41 22361 5151

**London**

Kepler Capital Markets UK  
St Clements House, 27-28 Clements  
Lane  
EC4N 7AE London  
+44 203 207 9390

**Madrid**

Kepler Capital Markets Espana  
Alcala 95  
28009 Madrid  
+3491 4365100

**Milan**

Kepler Capital Markets Italia  
Corso Europa 2  
20122 Milano  
+39 02 855 07 1

**New York**

Kepler Capital Markets Inc.  
600 Lexington Avenue  
10022 New York, NY USA  
+1 2127107600

**Paris**

Kepler Capital Markets France  
112 Avenue Kleber  
75016 Paris  
+33 1 53653500

**Zurich**

Kepler Capital Markets Switzerland  
Stadelhoferstrasse 22  
Postfach  
8024 Zurich  
+41 433336666

Kepler  
Research