

Q3'11 results: Mixed, WC increase causes concern

Revenues and profits ahead, but EPS misses; guidance held

Indra reported Q3'11 results last evening with revenues and profits ahead but EPS below both our estimates and consensus expectations. Overall revenues grew by 4.7% yoy to €576mn ahead of our €571mn and consensus at €565mn. Q3 operating margins were 10.5% resulting in operating profits of €60.7mn ahead of our €58.7mn and consensus at €57.8mn. EPS was €0.24 below our €0.26 and consensus at €0.25. We would like to highlight that the EPS miss was driven by a higher than expected financial expense.

Net debt increases to €484mn due to WC increase

Indra ended Q3'11 with a net debt of €484mn (vs. €311mn in Q3'10) driven by working capital increases due to delays in the billing process with some domestic clients. The company expects working capital requirements to remain at elevated levels at least until the end of 2011. We now forecast Indra to end FY'11 with a net debt of €448mn, at 1.5x LTM EBITDA.

Spain is still a worry with no recovery likely in sight

Spain continued to be weak with revenues declining by 5.0% yoy to €315mn. This is the worst growth seen in Spain since Q2'10. International markets grew by 19.4% yoy to €261mn aided by the tailwind from the Galileo acquisition and strength in Latam and USA& Canada.

Valuation

At current levels Indra trades at 10.1x / 10.8x our 2011E / 2012E EPS at a premium to the sector at 10.1x / 9.2x. Given the macro uncertainty in Spain, high exposure to the Spanish government spending and heightened risk of working capital increases we retain our Underperform rating on Indra and €10 PO.

Estimates (Dec)

(EUR)	2009A	2010A	2011E	2012E	2013E
EPS (Adjusted Diluted)	1.21	1.33	1.15	1.08	1.09
EPS Change (YoY)	6.6%	9.3%	-13.7%	-5.9%	1.5%
Dividend / Share	0.66	0.68	0.69	0.70	0.70

Valuation (Dec)

	2009A	2010A	2011E	2012E	2013E
P/E	9.55x	8.74x	10.1x	10.8x	10.6x
Dividend Yield	5.72%	5.86%	5.93%	6.04%	6.04%
EV / EBITDA*	7.66x	7.67x	8.30x	8.72x	8.24x
Free Cash Flow Yield*	6.95%	1.06%	0.39%	6.14%	5.42%

* For full definitions of *iQmethod*SM measures, see page 10.

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Stock Data

Price	EUR11.60
Price Objective	EUR10.00
Date Established	10-Oct-2011
Investment Opinion	A-3-7
Volatility Risk	LOW
52-Week Range	EUR9.89-EUR15.98
Mrkt Val / Shares Out (mn)	EUR1,890 / 162.9
Average Daily Volume	905,072
BofAML Ticker / Exchange	ISMAF / SQC
Bloomberg / Reuters	IDR SM / IDR.MC
ROE (2011E)	18.5%
Net Dbt to Eqty (Dec-2010A)	27.1%
Est. 5-Yr EPS / DPS Growth	-1.8% / 1.2%
Free Float	64.0%

Key Changes

(EUR)	Previous	Current
2011E Rev (m)	2,735.4	2,750.0
2012E Rev (m)	2,964.5	2,987.7
2013E Rev (m)	3,059.3	3,082.1
2011E EPS	1.24	1.15
2012E EPS	1.26	1.08
2013E EPS	1.29	1.09
2011E DPS	0.68	0.69

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*iQprofile*SM Indra

Key Income Statement Data (Dec)	2009A	2010A	2011E	2012E	2013E
(EUR Millions)					
Sales	2,513	2,557	2,674	2,912	3,006
EBITDA Adjusted	327	327	302	288	304
Depreciation & Amortization	(42.0)	(42.1)	(35.6)	(9.97)	(10.4)
EBIT Adjusted	285	285	267	278	294
Net Interest & Other Income	(24.9)	(19.1)	(34.4)	(52.8)	(58.4)
Tax Expense / Benefit	(62.7)	(45.7)	(49.9)	(53.6)	(60.8)
Net Income (Adjusted)	196	216	187	176	179
Average Fully Diluted Shares Outstanding	161	162	163	163	164

Key Cash Flow Statement Data

Net Income (Reported)	196	189	187	176	179
Depreciation & Amortization	42.0	42.1	35.6	9.97	10.4
Change in Working Capital	(49.8)	(106)	(110)	9.09	(4.20)
Deferred Taxation Charge	0	0	0	0	0
Other CFO	21.8	(15.7)	16.0	52.9	55.1
Cash Flow from Operations	210	109	128	248	240
Capital Expenditure	(79.7)	(89.1)	(121)	(132)	(137)
(Acquisition) / Disposal of Investments	(20.2)	(49.3)	(57.4)	(61.9)	(65.3)
Other CFI	1.40	1.13	2.79	0	0
Cash Flow from Investing	(98.5)	(137)	(175)	(193)	(203)
Share Issue / (Repurchase)	13.5	(6.44)	(17.8)	0	0
Cost of Dividends Paid	(101)	(107)	(111)	(112)	(114)
Increase (decrease) debt	28.8	203	203	164	167
Other CFF	(9.40)	3.27	2.95	61.9	65.3
Cash Flow from Financing	(68.1)	92.8	76.4	114	119
Total Cash Flow (CFO + CFI + CFF)	43.0	64.6	29.2	168	156
FX and other changes to cash	0.30	(2.12)	(0.07)	0	0
Change in Cash	43.3	62.5	29.1	168	156
Change in Net Debt	(14.5)	140	173	(4.19)	11.3
Net Debt	135	275	448	444	455

Key Balance Sheet Data

Property, Plant & Equipment	140	148	157	182	208
Goodwill	440	456	473	473	473
Other Intangibles	134	220	259	301	346
Other Non-Current Assets	72.7	101	182	182	182
Trade Receivables	1,561	1,831	1,959	2,090	2,142
Cash & Equivalents	66.5	129	158	326	482
Other Current Assets	74.8	91.0	137	137	137
Total Assets	2,490	2,976	3,325	3,692	3,971
Long-Term Debt	102	248	441	604	772
Other Non-Current Liabilities	94.4	130	230	230	230
Short-Term Debt	99.2	156	166	166	166
Other Current Liabilities	1,217	1,428	1,437	1,577	1,624
Total Liabilities	1,513	1,962	2,273	2,577	2,792
Total Equity	977	1,014	1,052	1,115	1,179
Total Equity & Liabilities	2,490	2,976	3,325	3,692	3,971

Business Performance*

Return On Capital Employed	18.6%	16.3%	12.2%	10.6%	9.82%
Return On Equity	22.8%	22.4%	18.5%	16.5%	15.9%
Operating Margin	11.4%	9.85%	9.97%	9.54%	9.78%
Free Cash Flow (MM)	130	20.0	7.41	116	103

Quality of Earnings*

Cash Realization Ratio	1.07x	0.51x	0.69x	1.41x	1.34x
Asset Replacement Ratio	1.90x	2.12x	3.39x	13.2x	13.2x
Tax Rate	24.1%	19.6%	21.2%	23.5%	25.5%
Net Debt/Equity	13.8%	27.1%	42.6%	39.8%	38.6%
Interest Cover	11.5x	14.9x	7.75x	5.26x	5.03x

* For full definitions of *iQmethod*SM measures, see page 10.

Company Description

Indra Sistemas is a Spanish defence systems and IT services company. In 2007 the company had revenues of EUR2.2bn and over 23,000 employees. The company's business is organized in 6 industry segments: Defence & Security, Transport & Traffic, Public Administration & Healthcare, Energy & Industry, Telecom & Media and Financial Services.

Investment Thesis

Indra Sistemas is a very defensive IT services company with over 60% of its revenues from the Defence & Security, Transport & Traffic and Public Administration & Healthcare sectors. This provides a recurring, non-cyclical, highly visible revenue stream. However as the global economy recovers we think it will underperform relative to more cyclically-g geared peers which offer stronger potential earnings growth and more margin upside versus consensus.

Stock Data

Price to Book Value 1.8x

Key takeaways from the Q3'11 results

Revenues and profits ahead, EPS misses

Indra reported Q3'11 results with revenues and profits ahead but EPS below both our estimates and consensus expectations. Overall revenues grew by 4.7% yoy to €576mn ahead of our €571mn and consensus at €565mn. Q3 operating margins were 10.5% resulting in operating profits of €60.7mn ahead of our €58.7mn and consensus at €57.8mn and EPS of €0.24 below our €0.26 and consensus at €0.25. We would like to highlight that the EPS miss was driven by a higher than expected financial expense.

Orders up 3%, B2B stable at 112%

Overall orders grew 3% to €2,169mn with International markets up 9% while the domestic orders were down 2%. Services orders were up 9% while Solutions orders declined by 1%. Book-to-bill was robust at 112%.

Spain declines by 5% yoy, international markets up 19% yoy

Spain continued to be weak with revenues declining by 5.0% yoy to €315mn. This is the worst growth seen in Spain since Q2'10. International markets grew by 19.4% yoy to €261mn driven by strength in Latam and USA& Canada. We would like to remind investors that Indra's International business was positively impacted by the Galileo acquisition.

Table 1: Indra - Q3'11 performance by geography (€mn)

	Q3'10	Q3'11	reported growth (%)
Spain	€ 331.3	€ 314.8	-5.0%
International	218.7	261.2	19.4%
Europe	93.5	87.0	-7.0%
Latam	87.6	118.7	35.6%
Others	37.6	55.5	47.4%
USA & Canada	5.4	11.3	107.6%
Africa/Asia/Australia	32.2	44.2	37.3%
Total Revenue	€ 550.0	€ 576.0	4.7%

Source: BofA Merrill Lynch Global Research, Indra

Transport & Traffic and Financial Services decline

Transport & Traffic declined for the first time in five years with revenues declining by 1.1% to €130mn. Although the company tried to reassure the market that the railway contract in Saudi Arabia should generate around €440mn of revenues in from 2012 to 2022, we believe investors will be concerned on the Q3 weakness and should monitor growth in the vertical in the coming quarters.

Financial Services was another sector to decline in Q3'11. Revenues declined by 2.7% yoy to €87mn. The company noted a lengthening of sales cycles and initial signs of a slow down in the vertical. In addition Indra also saw increased vendor consolidation, which is a positive in the medium term.

Telecom & Media remained strong due to the large outsourcing contract signed in Q4'10. Revenues grew by 29.5% yoy to €94mn.

Energy & Industry grew by 23.4% yoy to €97mn on the back of Latam strength while Public Administration & Healthcare grew by 6% yoy to €82mn on the back of balloting projects. Excluding the contribution from balloting revenues in this vertical declined by 6% yoy.

Security & Defence revenues continued to decline with revenues down 18.6% yoy to €86mn driven by weakness in Spain and the Eurofighter program.

Table 2: Indra - Q3'11 performance by vertical (€mn)

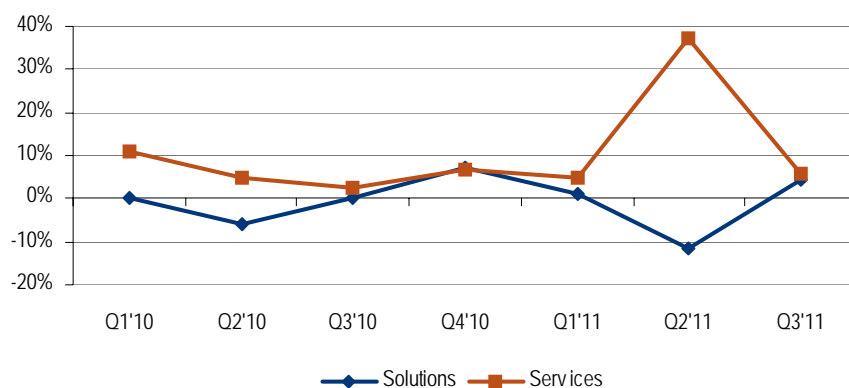
	Q3'10	Q3'11	reported growth (%)
Transport & Traffic	€ 131.3	€ 130.0	-1.1%
Telecom & Media	72.5	93.9	29.5%
P.A. & Healthcare	73.1	82.5	12.8%
Financial Services	89.2	86.9	-2.7%
Energy & Industry	78.8	97.2	23.4%
Security & Defence	105.1	85.6	-18.6%
Total Revenue	€ 550.0	€ 576.0	4.7%

Source: BofA Merrill Lynch Global Research, Indra

Services continue to outpace Solutions pressuring margins

Services revenues grew by 5.8% yoy to €175mn while Solutions grew by 4.2% yoy to €401mn. Given that Services has lower margins than Solutions, the differential growth pressurises group margins due to the mix effect.

Chart 1: Indra - Solutions and Services growth



Source: BofA Merrill Lynch Global Research, Indra

FY'11 guide retained, initiates on outlook incl. acquisitions

Indra management reiterated on its FY'11 guidance of 2% revenue growth and EBIT margins of 10.5%. Including the Galileo and Politec acquisitions, the company now expects FY'11 revenue to grow 5% to of €2,675mn with an EBIT margin of 10%.

Net debt balloons to €484mn largely due to WC increase

Indra ended Q3'11 with a net debt of €484mn (vs. €311mn in Q3'10) driven by working capital increases due to delays in the billing process with some domestic clients. The company expects working capital requirements to remain at elevated levels at least until the end of 2011.

Estimates revision

We update our estimates on the back of the Q3'11 update and changes to the exchange rates. We fine-tune our FY'11 / FY'12 revenue estimate to €2,674mn / €2,912mn from €2,663mn / €2,892mn previously. We lower our FY'11 / FY'12 adjusted operating margins to 10.0% / 9.6% resulting in an adjusted EPS of €1.15 / €1.09.

Table 3: Indra – Changes to estimates

	4Q11E	1Q12E	2Q12E	2011E	2012E	2013E
New estimates						
Revenue	€ 745	€ 732	€ 777	€ 2,674	€ 2,912	€ 3,006
<i>% yoy growth</i>	9.8%	11.4%	11.5%	4.6%	8.9%	3.2%
Adjusted operating profit	€ 64	€ 68	€ 75	€ 267	€ 279	€ 295
<i>% margin</i>	8.6%	9.3%	9.7%	10.0%	9.6%	9.8%
Adjusted EPS	€ 0.26	€ 0.26	€ 0.31	€ 1.15	€ 1.09	€ 1.11
<i>% yoy growth</i>	-30.1%	-15.3%	-10.4%	-13.7%	-5.2%	2.0%
Old estimates						
Revenue	€ 738	€ 726	€ 772	€ 2,663	€ 2,892	€ 2,987
<i>% yoy growth</i>	8.8%	10.5%	10.9%	4.1%	8.6%	3.3%
Adjusted operating profit	€ 74	€ 73	€ 78	€ 275	€ 290	€ 306
<i>% margin</i>	10.1%	10.0%	10.0%	10.3%	10.0%	10.3%
Adjusted EPS	€ 0.33	€ 0.31	€ 0.35	€ 1.24	€ 1.26	€ 1.29
<i>% yoy growth</i>	-9.1%	2.8%	2.2%	-6.4%	1.5%	2.7%

Source: BofA Merrill Lynch Global Research

Table 4: Indra – Summary Model

€ millions, except per share values

	2010				2011				2012				Fiscal year			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4E	Q1E	Q2E	Q3E	Q4E	2010	2011E	2012E	2013E
Revenue																
Transport & Traffic	€ 128.6	€ 155.2	€ 131.3	€ 139.7	€ 138.3	€ 166.9	€ 130.0	€ 141.1	€ 145.2	€ 175.2	€ 139.1	€ 150.9	€ 554.8	€ 576.2	€ 610.4	€ 653.2
Telecom & Media	73.6	82.8	72.5	92.4	91.7	119.5	93.9	99.8	94.5	121.8	96.7	102.8	321.3	404.9	415.8	432.4
P.A. & Healthcare	89.3	100.7	73.1	93.6	91.1	104.0	82.5	115.3	110.0	124.3	98.0	116.5	356.6	392.9	448.7	461.1
Financial Services	92.6	104.6	89.2	81.3	98.4	109.3	86.9	98.1	122.5	136.5	110.0	99.1	367.7	392.6	468.2	482.2
Energy & Industry	89.0	91.2	78.8	103.8	97.1	91.7	97.2	130.9	116.8	110.6	109.3	128.3	362.7	417.0	465.0	469.8
Security & Defence	170.0	151.0	105.1	167.8	140.9	104.8	85.6	159.6	143.4	108.0	91.4	161.2	593.9	490.8	503.9	507.8
Total Revenue	€ 643.1	€ 685.4	€ 550.0	€ 678.5	€ 657.5	€ 696.1	€ 576.0	€ 744.8	€ 732.3	€ 776.5	€ 644.5	€ 758.7	€ 2,557.0	€ 2,674.4	€ 2,912.1	€ 3,006.5
<i>yo-yo growth - reported</i>													1.7%	4.6%	8.9%	3.2%
Other Income	12.3	21.0	14.2	26.9	17.8	13.7	17.2	26.9	17.8	13.7	17.2	26.9	74.4	75.6	75.6	75.6
Materials consumed and other operating expenses	313.5	339.1	260.8	342.1	301.7	318.4	253.5	386.7	345.2	362.9	291.8	390.2	1,255.5	1,260.4	1,390.1	1,428.3
Personnel expenses	263.3	280.3	233.5	270.5	294.6	307.9	267.4	319.3	335.4	351.2	305.7	321.5	1,047.6	1,189.2	1,313.8	1,353.4
Results on non-current assets	0.2	0.1	0.1	0.6	0.1	0.1	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	1.0	-1.8	-4.0	-4.0
Depreciation	8.9	10.8	9.5	12.9	10.0	10.7	12.4	2.4	2.2	2.1	3.1	2.6	42.1	35.6	10.0	10.4
Adjusted Operating Profit	€ 69.5	€ 76.2	€ 60.4	€ 79.2	€ 68.9	€ 72.8	€ 60.7	€ 64.2	€ 68.3	€ 75.1	€ 62.1	€ 72.3	€ 285.3	€ 266.7	€ 277.8	€ 294.0
<i>% margin</i>	10.8%	11.1%	11.0%	11.7%	10.5%	10.5%	10.5%	8.6%	9.3%	9.7%	9.6%	9.5%	11.2%	10.0%	9.5%	9.8%
Financial results	-3.5	-3.6	-4.9	-7.2	-4.3	-5.9	-12.1	-12.1	-13.0	-12.4	-12.4	-15.0	-19.1	-34.4	-52.8	-58.4
Share of profits (losses) of associates and other investees	0.1	-0.3	0.2	0.9	0.0	1.0	1.3	0.9	0.0	1.0	1.3	0.9	0.9	3.1	3.1	3.1
Adjusted Profit before taxation	66.1	72.2	55.7	73.0	64.6	67.9	49.9	53.0	55.3	63.6	51.0	58.2	267.0	235.4	228.2	238.7
Taxation	-14.7	-13.0	-11.1	-13.2	-14.5	-13.4	-10.7	-11.4	-13.0	-14.9	-12.0	-13.7	-52.0	-49.9	-53.6	-60.8
<i>% tax rate</i>	-22%	-18%	-20%	-18%	-22%	-20%	-21%	-21%	-23%	-23%	-23%	-23%	-19%	-21%	-23%	-25%
Net Profit for the period	51.4	59.3	44.6	59.7	50.1	54.6	39.2	41.6	42.4	48.7	39.1	44.5	215.0	185.5	174.6	177.9
Minority interest	-0.6	0.4	0.5	0.2	-0.4	1.0	0.3	0.2	-0.4	1.0	0.3	0.2	0.6	1.2	1.2	1.2
Consolidated Income	€ 50.8	€ 59.7	€ 45.1	€ 60.0	€ 49.7	€ 55.6	€ 39.5	€ 41.9	€ 42.0	€ 49.7	€ 39.4	€ 44.7	€ 215.6	€ 186.6	€ 175.8	€ 179.1
Adjusted EPS (Diluted)	€ 0.31	€ 0.37	€ 0.28	€ 0.37	€ 0.30	€ 0.34	€ 0.24	€ 0.26	€ 0.26	€ 0.31	€ 0.24	€ 0.27	€ 1.33	€ 1.15	€ 1.08	€ 1.09
Average shares (Fully Diluted)	162.7	162.4	161.9	162.8	163.4	163.2	162.4	162.6	162.8	162.9	163.1	163.2	162.4	162.9	163.0	163.7
Balance sheet / Cash Flow metrics																
Net cash from/ (used in) operating activities	-€ 46.8	€ 34.2	€ 41.6	€ 80.0	€ 4.9	€ 27.6	€ 40.6	€ 54.8	€ 47.0	€ 35.9	€ 41.2	€ 123.6	€ 109.0	€ 127.9	€ 247.7	€ 240.4
Cash conversion (CFO/Adjusted Operating Profit)	-60%	39%	60%	87%	6%	33%	56%	82%	67%	46%	63%	165%	33%	42%	86%	79%
Free cash flow	-72.8	-2.7	14.1	32.1	-69.0	-8.9	2.6	25.3	-32.1	-4.1	-1.0	91.5	-29.3	-50.0	54.3	37.6
Gross Debt	239.1	233.9	318.3	403.8	409.2	407.3	531.3	606.4	573.3	570.6	688.4	770.2	403.8	606.4	770.2	937.6
Gross Cash	25.6	12.1	7.3	129.0	80.3	63.5	47.0	158.1	133.0	132.6	141.1	326.1	129.0	158.1	326.1	484.0
Net Debt	€ 213.5	€ 221.8	€ 310.9	€ 274.9	€ 328.9	€ 343.8	€ 484.3	€ 448.3	€ 440.3	€ 438.0	€ 547.2	€ 444.1	€ 274.9	€ 448.3	€ 444.1	€ 453.6

Source: BofA Merrill Lynch Global Research

Price objective basis & risk

Indra (ISMAF)

Our mid-cycle fair value for Indra is EUR13, which is based on our DCF valuation scenario. Our DCF valuation model assumes terminal operating margin of 11.3% and terminal revenue growth of 2.5%. We assume a WACC of 10.9%.

We apply a 20% discount to this theoretical fair value to arrive at our price objective of EUR10. We are using a discount of between 10-25% on all the Software & IT Services names to reflect macro uncertainty and the risk appetite of investors. We think Indra deserves a discount at the lower end of the range to reflect its exposure to uncertainties in its Spanish business, particularly in the public sector.

Downside risks to our price objective are (1) that the decline in the Spanish economy has more of an impact on Indra than we expect, (2) that Indra is not successful in growing its business in international markets, and (3) that demand in its defensive divisions slows. Upside risks are if (1) Indra is faster at expanding overseas and (2) produces better profitability or cash conversion than our estimates.

Link to Definitions

Technology

Click [here](#) for definitions of commonly used terms.

Analyst Certification

I, Jonathan Tseng, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

EMEA - Technology Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
BUY	Amadeus IT Holding SA	ADUSF	AMS SM	Jonathan Tseng, CFA
	ASM Intl	ASMI	ASMI US	Jonathan Crossfield
	ASM Intl	XLMSF	ASM NA	Jonathan Crossfield
	ASML	ASMLF	ASML NA	Jonathan Crossfield
	ASML	ASML	ASML US	Jonathan Crossfield
	Atos	AEXAF	ATO FP	Chandramouli Sriraman
	CSR	CSRXF	CSR LN	Jonathan Crossfield
	Ericsson L.M.	ERIXF	ERICB SS	Jonathan Crossfield
	Ericsson L.M.	ERIC	ERIC US	Jonathan Crossfield
	Infineon Technologies	IFNNF	IFX GR	Jonathan Crossfield
	Infineon Technologies	IFNNY	IFNNY US	Jonathan Crossfield
	Logica	LGIAF	LOG LN	Jonathan Tseng, CFA
	Nanoco	NNOCF	NANO LN	Jonathan Crossfield

EMEA - Technology Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
	Nokia (A)	NOKBF	NOK1V FH	Jonathan Crossfield
	Nokia (A)	NOK	NOK US	Jonathan Crossfield
	SAP A.G.	SAPGF	SAP GR	Jonathan Tseng, CFA
	SAP A.G.	SAP	SAP US	Jonathan Tseng, CFA
	Software AG	SWDAF	SOW GR	Jonathan Tseng, CFA
	Telecity	TLCTF	TCY LN	Jonathan Tseng, CFA
	Temenos	TMNSF	TEMN SW	Chandramouli Sriraman
NEUTRAL				
	AIXTRON	AIXXF	AIXA GR	Jonathan Crossfield
	AIXTRON	AIXG	AIXG US	Jonathan Crossfield
	Alcatel Lucent-A	ALU	ALU US	Jonathan Crossfield
	Alcatel-Lucent	ALALF	ALU FP	Jonathan Crossfield
	Capgemini	CAPMF	CAP FP	Chandramouli Sriraman
	Misys	MUSJF	MSY LN	Chandramouli Sriraman
	Sage Group	SGGEF	SGE LN	Jonathan Tseng, CFA
	STMicroelectroni	STMEF	STM FP	Jonathan Crossfield
	STMicroelectroni	STM	STM US	Jonathan Crossfield
UNDERPERFORM				
	ARM	ARMHF	ARM LN	Jonathan Crossfield
	ARM	ARMH	ARMH US	Jonathan Crossfield
	Aveva	AVEVF	AVV LN	Jonathan Tseng, CFA
	Indra	ISMAF	IDR SM	Chandramouli Sriraman
	Logitech	LOGI	LOGI US	Jonathan Tseng, CFA
	Logitech Intl-R	XLGKF	LOGN VX	Jonathan Tseng, CFA
	Tieto	TCYBF	TIE1V FH	Jonathan Tseng, CFA
	TomTom	TMOAF	TOM2 NA	Jonathan Tseng, CFA
	Wolfson	WLFMF	WLF LN	Jonathan Crossfield
RVW				
	Micro Focus	MCFUF	MCRO LN	Jonathan Tseng, CFA

iQmethodSM Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill Amortization}$
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
Quality of Earnings		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	$\text{Net Debt} = \text{Total Debt, Less Cash \& Equivalents}$	Total Equity
Interest Cover	EBIT	Interest Expense
Valuation Toolkit		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

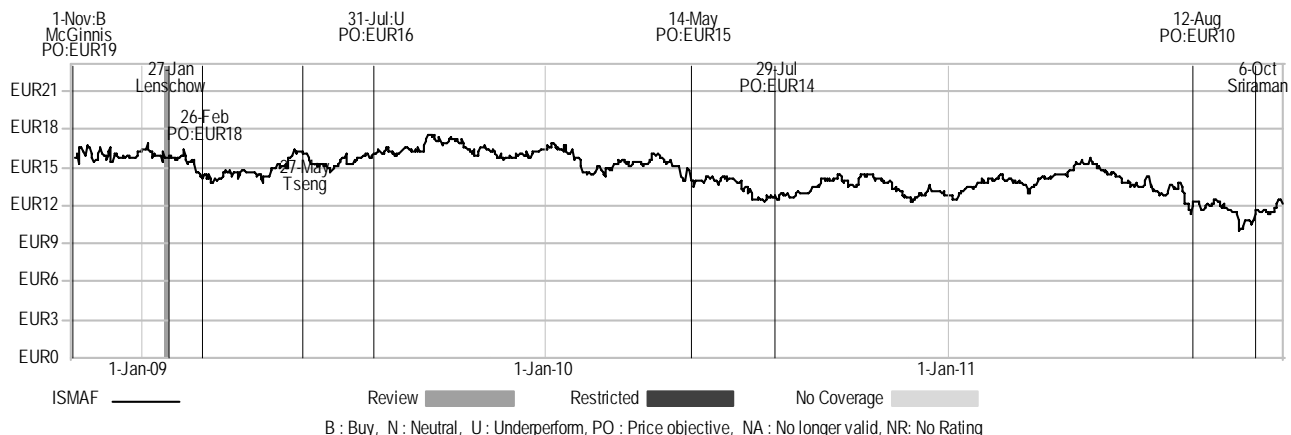
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ISMAF Price Chart



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Investment Rating Distribution: Technology Group (as of 01 Oct 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	133	55.19%	Buy	64	52.89%
Neutral	53	21.99%	Neutral	26	54.17%
Sell	55	22.82%	Sell	14	27.45%

Investment Rating Distribution: Global Group (as of 01 Oct 2011)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	2073	54.13%	Buy	923	49.12%
Neutral	961	25.09%	Neutral	460	52.57%
Sell	796	20.78%	Sell	287	38.32%

* Companies in respect of which BofA Merrill Lynch or one of its affiliates has received compensation for investment banking services within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

* Ratings dispersions may vary from time to time where BofA Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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