

To create the leader in IT Services in Spain

## **INDRA ANNOUNCES ITS INTENTION TO LAUNCH A VOLUNTARY TENDER OFFER (VTO) FOR TECNOCOM**

- Indra will pay 4.25€ per share, with a mix consideration of cash (60%) and Indra's shares (40%) valued at 9.8461€ (based on an average of trading and closing prices of the last five days).
- Indra has subscribed irrevocable commitments with shareholders representing 52.7% of Tecnocom's share capital.
- The transaction will reinforce Indra's positioning in key strategic markets, most notably in Financial Services, increasing its operational leverage and strengthen its proprietary solution portfolio (mainly in payment systems). Additionally, Indra will increase its exposure to private customers, and will benefit from the incorporation of teams and talent from Tecnocom.
- The transaction will deliver significant value creation for both Indra's and Tecnocom's shareholders, on the back of a solid industrial rationale as well as costs and revenues synergies amounting to more than €40 million per annum, resulting in double-digit EPS accretion from 2017 (excluding restructuring costs).
- The VTO is subject to the CNMV approval.
- The closing of the deal is expected for the second quarter of 2017.

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**Madrid, 29 November, 2016.** – Indra, a major global consulting and technology company, has announced its intention to launch a voluntary tender offer for 100% of the share capital of Tecnocom. Indra has subscribed irrevocable commitments with Tecnocom's shareholders representing 52.7% of the share capital.

Fernando Abril-Martorell, Chairman and CEO of Indra, said: "The deal is underpinned by a strong strategic and industrial rationale, as well as by significant synergy potential, resulting in double-digit EPS accretion on Indra's shares from 2017 (excluding implementation costs). Together with Tecnocom, Indra will create the leader in IT Services in Spain. Tecnocom's integration with Indra will improve our operational leverage and scale, and strengthen our position in core markets with high growth potential, both in IT as well as in other industries, bringing strong revenue growth potential throughout cross-selling and upselling of our existing product offerings."

### **Value creation**

The deal will provide major value creation potential for Indra shareholders based on a solid industrial rationale and quantified costs and revenues annual synergies of more than €40 million.

This value creation potential will be reflected in double-digit EPS accretion at Indra from 2017 (excluding restructuring costs).

**Industrial and strategic rationale**

On the back of this transaction, Indra will increase its operational leverage in the IT Services market, mainly in Financial Services, which has significant growth potential in value-added solutions, as well as in other relevant sectors with high growth prospects.

The deal is fully aligned with Indra's strategy of strengthening its proprietary solutions and digital-focused offering which will be reinforced with Tecnocom's leading Payment Systems solutions in Spain and Latin America.

Moreover, Tecnocom's and Indra's client bases are highly complementary, providing Indra with great potential for cross-selling and up-selling to its current clients, as well as consolidating its position in large accounts, and access to new clients both in the Financial Services and other industries, in Spain and Latin America.

In addition, the transaction will increase Indra's exposure to the private sector.

**Similar cultures and talent integration**

Another advantage is that both companies have very similar cultures in place, which should translate into an easier integration of Tecnocom's complementary and talented team into Indra.

Indra highly values the experience and track record of Tecnocom's management team and professionals, and will work together with them to smooth their integration into the company. Indra expects Tecnocom's management team to become a relevant part of the Indra team while Tecnocom employees will benefit from significant opportunities for professional development in Indra, both in Spain and in the international markets and across various sectors.

**The sum of the two companies**

Tecnocom is a Spanish listed Information and Communication Technology (ICT) consulting company with presence in Spain, Portugal and Latin America (nine countries globally) and over 6,500 professionals (80% of which are based in Spain). Its business is strongly positioned in critical, disruptive businesses such as Payment Systems (with a 90% market share in Spanish financial institutions as customers), and a significant presence in local banking in Latin America and outsourcing.

The combination of Indra and Tecnocom, based on pre-synergies data for the last twelve months ended in September 2016, would create a company of €3,147 million revenues, €243 million recurring EBITDA (7.7% margin) and €165 million recurring EBIT (5.2% margin).

**The Offer**

The price offered values each Tecnocom's share at €4.25, representing a 12% premium over Tecnocom's closing price on November 28, 2016, and a premium of 28% over the 3-months volume weighted average price.

Payment will include a mixed consideration of cash (60%) and Indra's shares (40%) valued at 9.8461€ (\*) per share, implying €2.55 in cash and 0.1727 Indra's shares for each Tecnocom share.

The voluntary tender offer values 100% of Tecnocom's share capital at €305 million, excluding the treasury stock. This represents an estimated Enterprise Value / EBIT pre-synergies for 2017 of 14.3x and an estimated Enterprise Value / EBIT post-synergies for 2017 of 5.2x (multiples based on the analyst forecasts included in the street consensus provided by Bloomberg).

The deal is subject to (i) the approval by the relevant anti-trust authorities, (ii) a minimum acceptance threshold of 50.01% of Tecnocom's share capital (excluding irrevocable commitments subscribed by Indra with Tecnocom's shareholders representing 52.7% of the share capital), (iii) a minimum acceptance of 70.01% of Tecnocom share capital, and (iv) the approval of the capital increase related to the transaction by Indra's Shareholders Meeting.

The settlement of the transaction is expected to happen in the second quarter of 2017.

(\*) Exchange ratio calculated as the mid-point of (i) the average of closing prices and (ii) the volume weighted average price of the five trading days prior to November 28<sup>th</sup>.

### **About Indra**

Indra is one of the leading consulting and technology companies globally with more than 36,000 employees and projects in more than 140 countries. It offers a comprehensive range of value-added proprietary solutions and cutting edge services, which complements a unique expertise and culture that is reliable, flexible and adaptable to its client's needs. Indra is a world leader in the development of comprehensive technology solutions in sectors such as Defense & Security, Transport & Traffic, Energy & Industry, Telecommunications & Media, Financial Services and Public Administrations & Healthcare. Through its Minsait unit, it provides solutions to the digital transformation challenges faced by its clients. In 2015 Indra reported €2,850 million revenues and had local presence in 46 countries.

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