

indra

1H20 Results



July 29th, 2020

CONFERENCE CALL DETAILS

LIVE EVENT:

The Company will host a conference call for investors and analysts today at 18:30 (Spanish time).

Please find below conference call telephone numbers:

Spain: +34 911140101

France: +33 170710159

UK: +44 2071943759

US: +1 6467224916

Access Code: 73683614#

Access to the live event:

<https://onlinexperiences.com/Launch/QReg/ShowUUID=4631EA4D-D4C9-40C4-AB5B-4EF44EB71B60>

WEBCAST REPLAY:

A recording of the conference call will be available for 30 days on the following telephone numbers:

Replay dial number:

Spain: +34 910387491

France: +33 (0)172727402

UK: +44 2033645147

US: +1 (646) 722-4969

Access code: 418945071#

Access to the Webcast Replay:

<https://onlinexperiences.com/Launch/QReg/ShowUUID=4631EA4D-D4C9-40C4-AB5B-4EF44EB71B60>

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Covid-19 is affecting all sectors and geographies where we operate, causing some structural changes in our customers' needs...

Impact by sector



Structural changes in customers

- ✓ Massive implementation of working from home
- ✓ Stronger demand for digital channels, e-commerce and contact-less solutions
- ✓ Acceleration of AI technologies, Unmanned vehicles, etc.
- ✓ Increased digitization and robotization opportunities
- ✓ Redefinition of Public Administration's spending priorities to relaunch economies
- ✓ Deglobalization of supply chains

Expected GDP evolution by geography



Source: IMF June 2020 estimates

...with different dynamics and impacts in T&D and Minsait

Order Intake

Minsait

- ✓ Moderate declines, impacted by lower commercial activity in the first stages of the outbreak, as customers reassessed their priorities.
- ✓ Some stabilization in recent weeks.

Transport & Defence

- ✓ Very strong dynamics, beating our own internal expectations pre Covid-19, mainly boosted by Defence & Security, although will not translate into sales before 2021.

Revenues and margins

- ✓ 2Q20 Revenues reflect full impact of covid.
- ✓ Margins affected by loss of operational leverage, which is amplified by higher personnel expenses (+10% versus 1H19), as well as price pressure from some clients
- ✓ Price pressure from clients leading to consolidation of suppliers, which in turn should help IDR maintain revenues and margins

- ✓ Revenues and margins significantly affected by lockdowns and travelling restrictions in many countries and postponement of decisions of our customers (macro deterioration and oil price declines)
- ✓ Accounting by milestone recognition method (IFRS-15) amplifies short term revenue and EBIT impact, but will also lead to faster recovery once lockdowns are lifted.

We have launched a Covid action plan to reduce costs and prioritize investments to adapt our offering to our customers' evolving needs

| | Actions | Estimated EBIT impact M€ | | Estimated Cash savings M€ | |
|--------------|--|--------------------------|-----------------|---------------------------|-----------------|
| | | One-off costs | Ongoing savings | One-off costs | Ongoing savings |
| | | 2020 | 2021 | 2020 | 2021 |
| 1 | Reduction of non-personnel expenses | 0 | 20 | 0 | 20 |
| 2 | Internal processes improvement and new workplace model | -1.4 | 25 | 0 | 25 |
| 3 | Capex investment reorientation and Balance Sheet adjustments | -100 | 25 | 6.3 | 0 |
| 4 | Workforce transformation plan | -65 | 30 | -45 | 30 |
| Total | | -166.4 | 100 | -38.7 | 75 |

Better prospects for 2H20 and the medium term, in part due to the covid action plan

Short Term (2020)

- ✓ Commercial activity improving.
- ✓ In T&D, deferred revenues and margins should reverse if lockdowns ease, plus expected normalization of Eurofighter in Q4.
- ✓ In Minsait, expected revenue recovery and better expenses comparison should improve margins in 2H20.
- ✓ Positive Free Cash Flow dynamics continue despite Covid, supported by strong cash collections and more T&D prepayments

Guidance 2020:

- 2020 Revenues: [3.150 - 3.200 M€] in constant currency
- EBIT 2020: [120-135M€] before estimated one-off costs of the action plan of 165 M€

Medium Term

- ✓ Order Intake growing above our own internal expectations pre Covid-19 in Transport & Defence, with total backlog reaching new historic highs (> 5bn€) and a new leg up expected for 2H20.
- ✓ New environment will bring new opportunities in some of our core competencies (digitalization, cyber security, AI, etc.).
- ✓ Supplier consolidation should benefit stronger, local players like Indra.
- ✓ Covid action plan improves our financial profile from 2021 onwards.
- ✓ Strong Financial position to cope with the current difficult environment and take advantage of potential opportunities.

Main 1H20 headlines

- 1 The postcovid action plan will provide estimated annual cost savings of €100m by 2021 onwards, implying one-off costs of €165m in 2020, of which €95m are impairments (mostly intangible assets), already accounted for in June 2020.
- 2 Backlog up +15%, new historic high for Indra (€5.1bn).
- 3 1H20 Order Intake grew +8%, driven by the Transport & Defence division (notably Defence & Security).
- 4 1H20 Revenues down -2% in local currency (-4% in reported terms) and 2Q20 Sales also declined -5% in local currency and -8% in reported terms, both affected by the covid impact.
- 5 1H20 Operating Margin stood at €43m in 1H20 vs €102m in 1H19 (margin of 2.9% vs 6.6% in 1H19), affected by delays and lower activity due to Covid.
- 6 1H20 reported EBIT was €-78m in 1H20 vs €79m in 1H19 (€-97m in 2Q20 vs €40m in 2Q19), impacted by the impairments of Intangible assets (€-95m), and by the delays and lower activity due to the covid crisis, which was more pronounced in the second quarter.
- 7 Cash generation was €+149M better than 1H19. Net Debt / EBITDA LTM ratio up to 2.7x (excluding the impairments and IFRS 16 impact) vs 2.4x in 1H19.
- 8 Reinforced financial position during the quarter, with more than €1,100m between cash and credit facilities as of June 2020.

Revenues evolution

1H20 Sales Growth

Reported -4.0%

Local Currency -1.5%

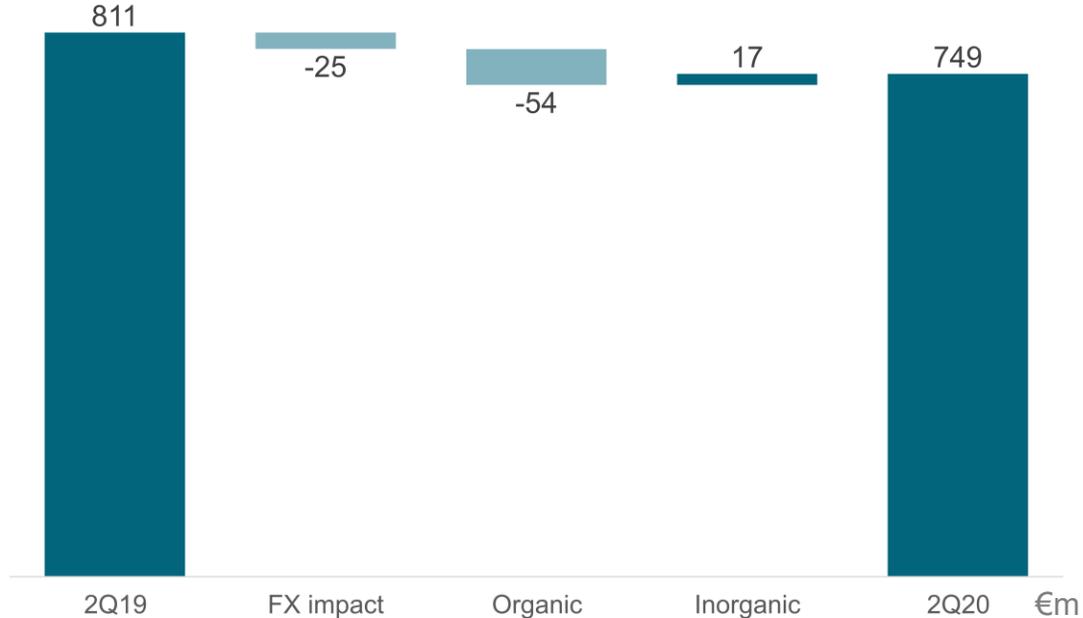
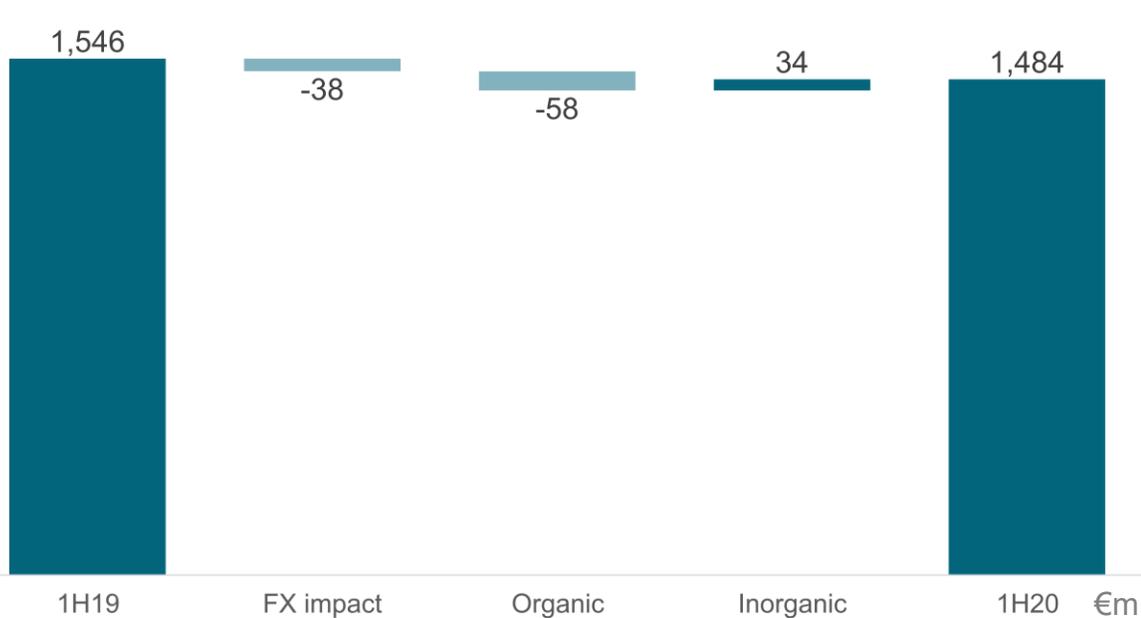
Organic¹ -3.7%

2Q20 Sales Growth

Reported -7.6%

Local Currency -4.5%

Organic¹ -6.6%



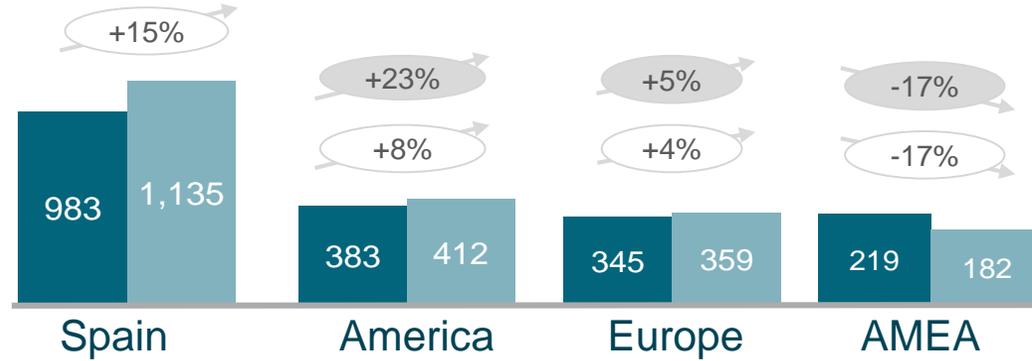
1. Excluding the SIA acquisition which started to consolidate on January 1st, 2020 and the FX impact

Revenues and order intake by region

Order Intake 1H20 (€m)

Local Currency / Reported

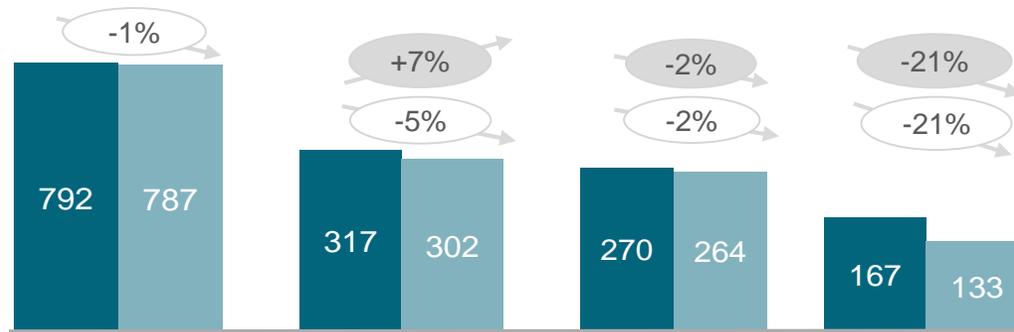
+11% +8%



Revenues 1H20 (€m)

Local Currency / Reported

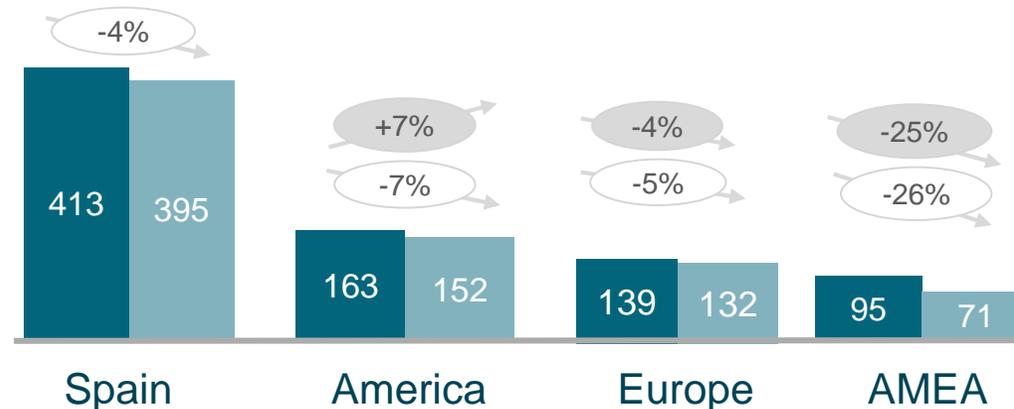
-2% -4%



Revenues 2Q20 (€m)

Local Currency / Reported

-5% -8%



2019

2020

% Growth in Local Currency

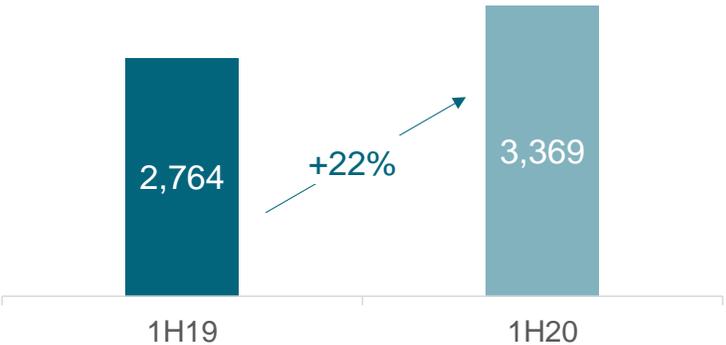
% Growth in Reported Terms

Backlog +15% reaching new historic high

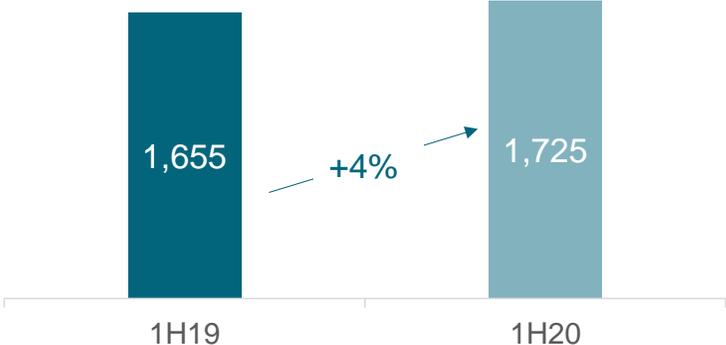
Indra backlog (€m)



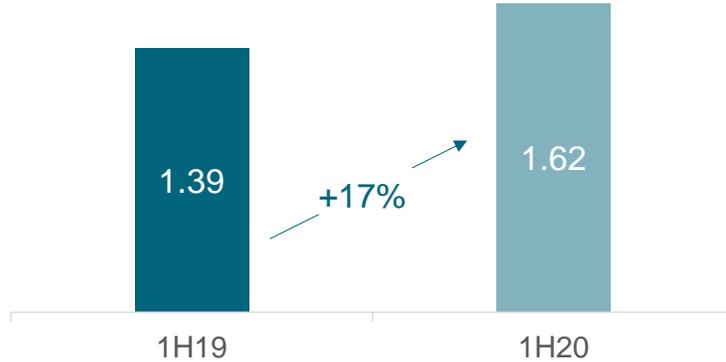
T&D backlog (€m)



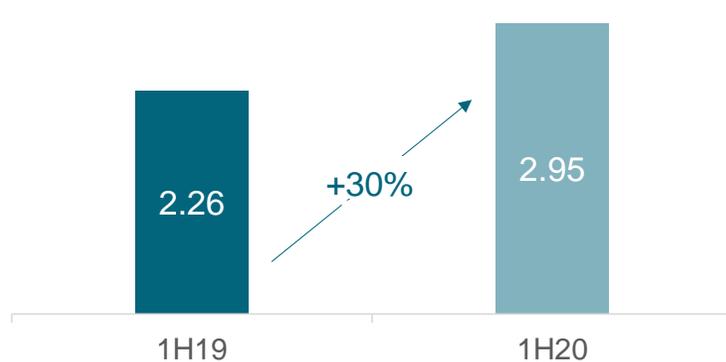
Minsait backlog (€m)



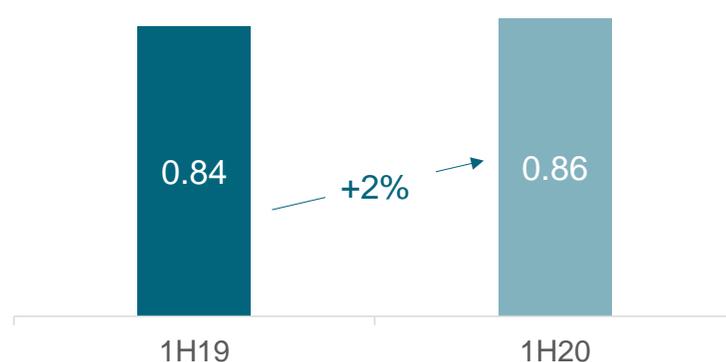
Indra backlog/revs LTM



T&D backlog/revs LTM

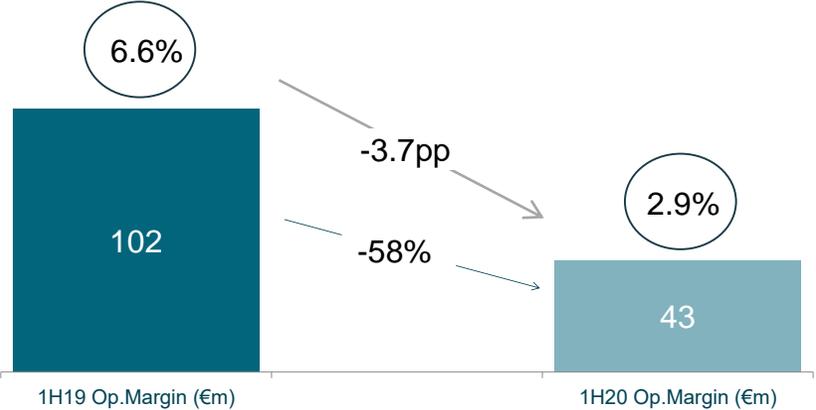


Minsait backlog/revs LTM

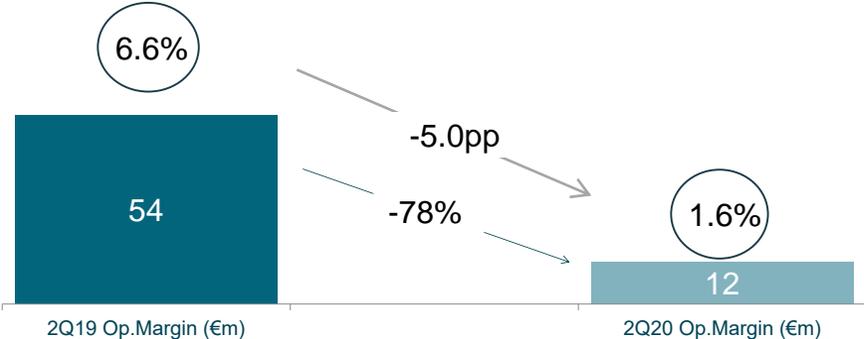


Operating Margin and EBIT evolution

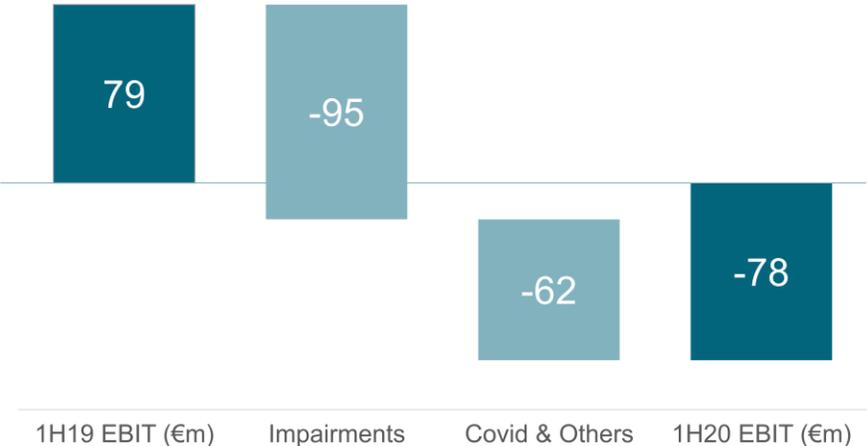
1H20 Operating Margin¹



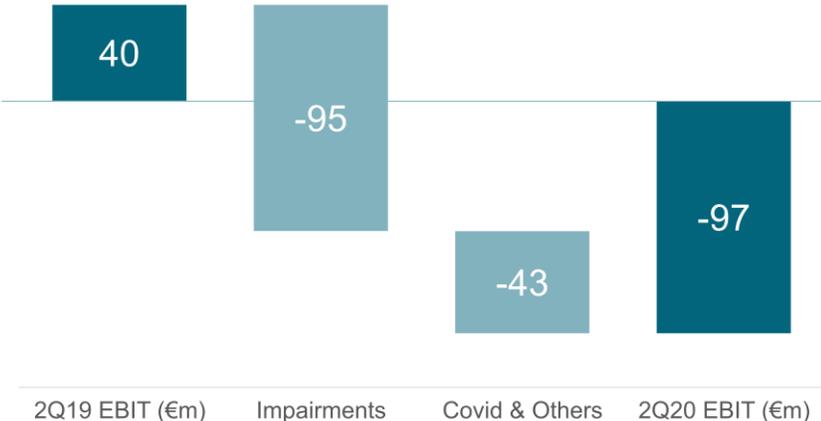
2Q20 Operating Margin¹



1H20 EBIT and Margin

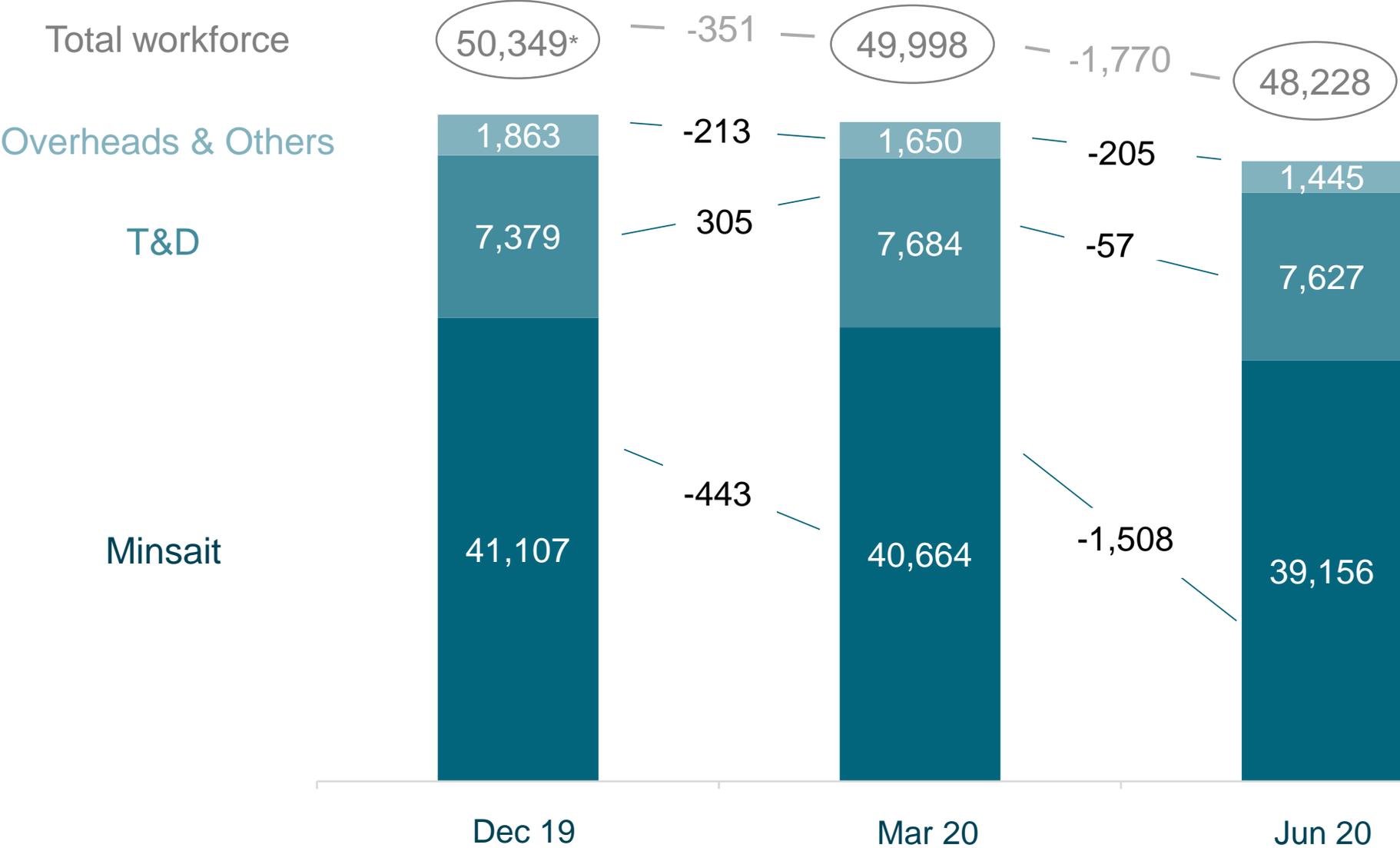


2Q20 EBIT and Margin



1. EBIT before Other Operating Income & Expenses, including: staff reorganization, impairments, integration and acquisition costs, fines, amortization of intangible assets (PPA from acquisitions) and equity based compensation.

Workforce evolution

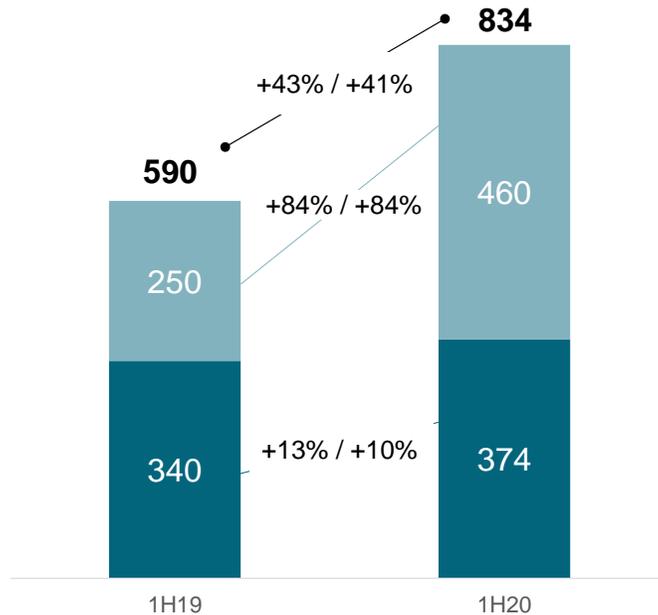


* 742 SIA employees included

T&D order intake and revenues

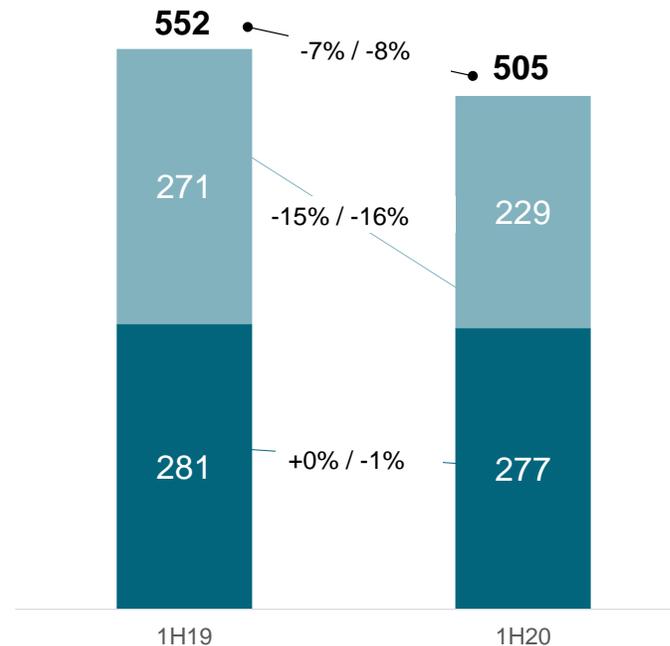
1H20 Order Intake (€m)

Local Currency / Reported



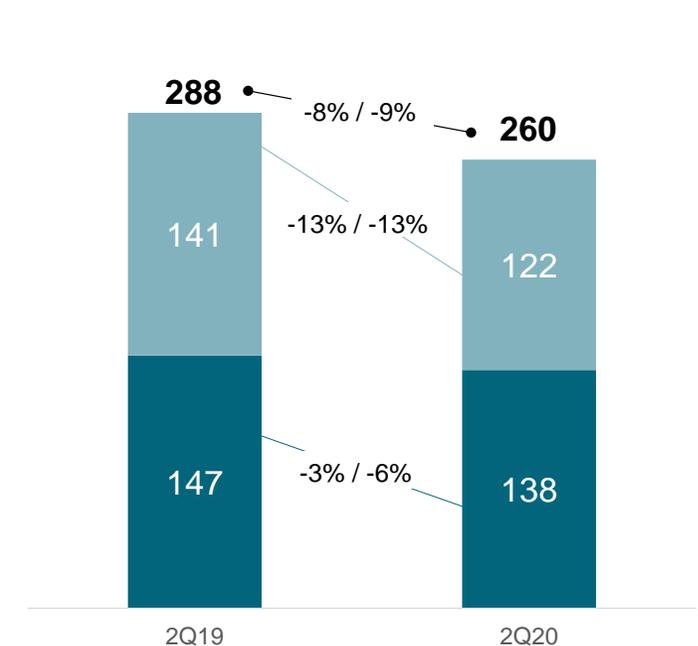
1H20 Revenues (€m)

Local Currency / Reported



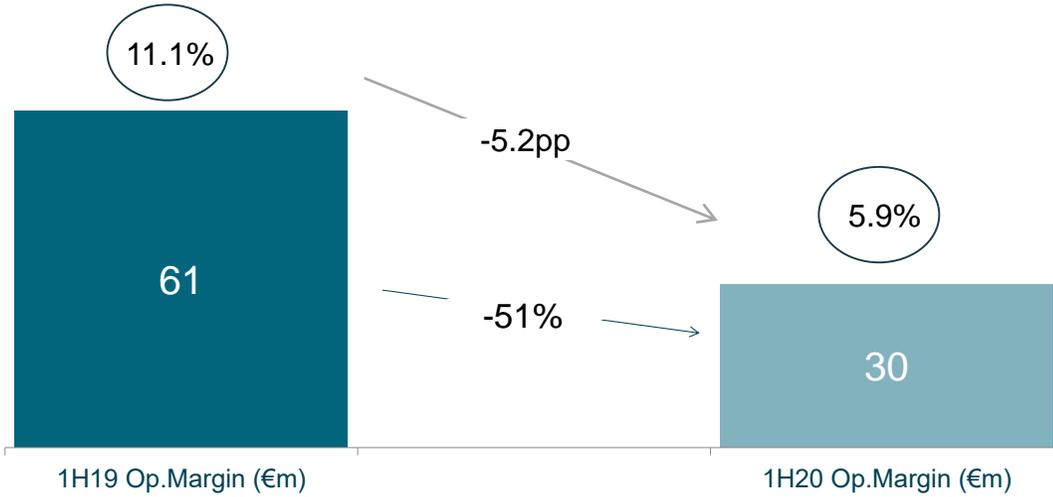
2Q20 Revenues (€m)

Local Currency / Reported

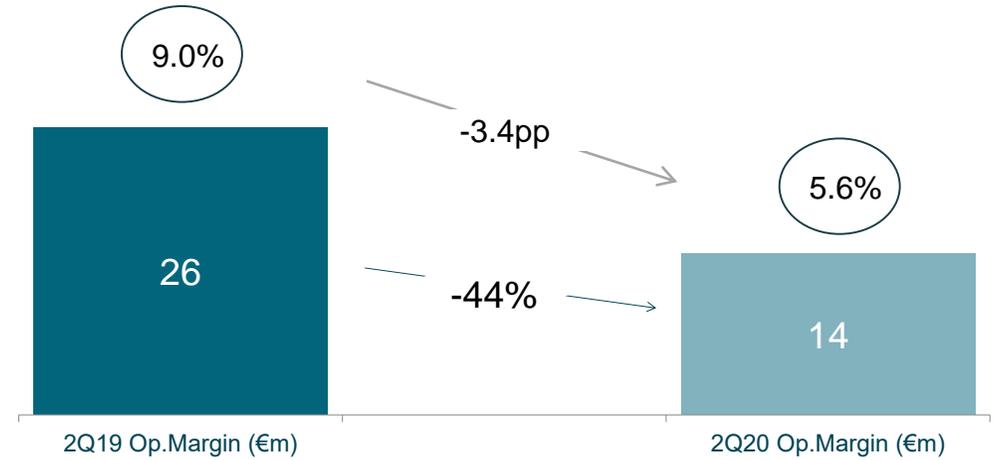


T&D Operating Margin and EBIT evolution

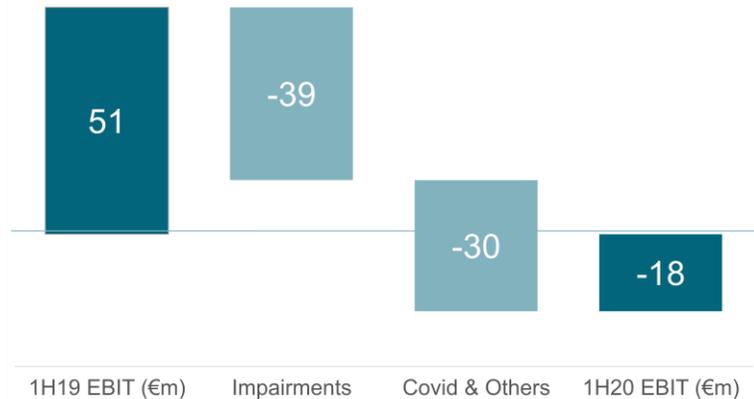
1H20 Operating Margin¹



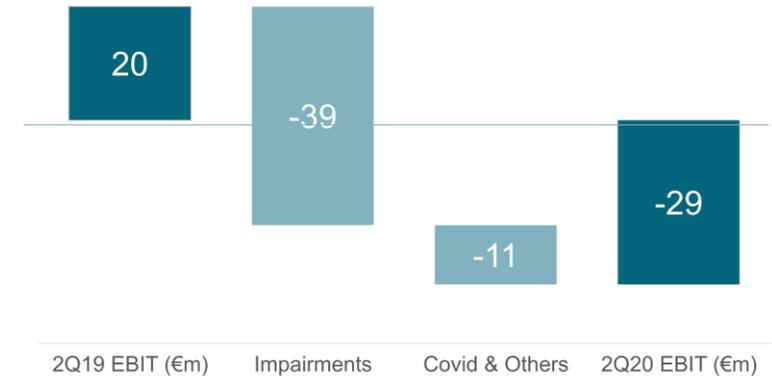
2Q20 Operating Margin¹



1H20 EBIT and Margin



2Q20 EBIT and Margin

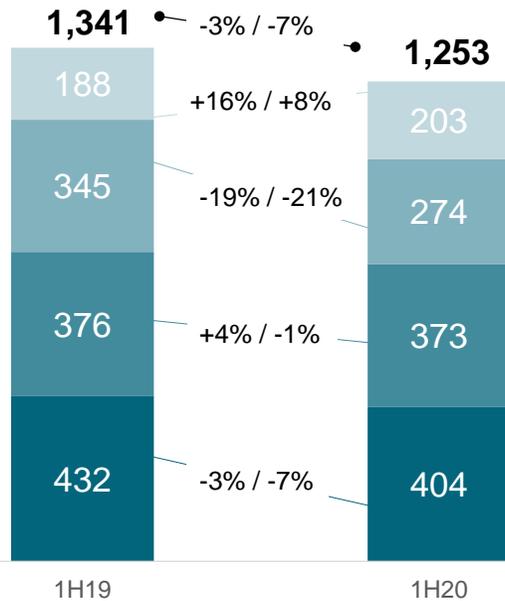


1. EBIT before Other Operating Income & Expenses, including: staff reorganization, impairments, integration and acquisition costs, fines, amortization of intangible assets (PPA from acquisitions) and equity based compensation.

Minsait order intake and revenues

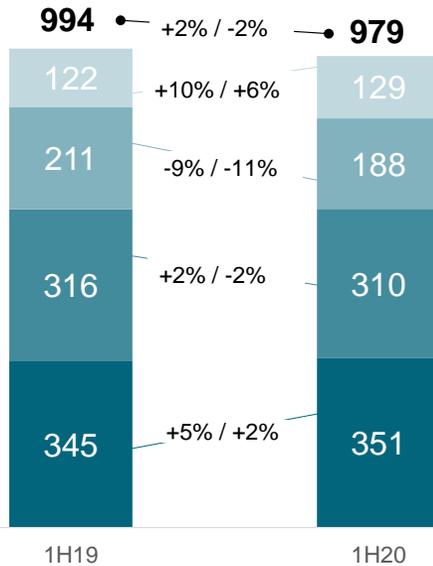
1H20 Order Intake (€m)

Local Currency / Reported



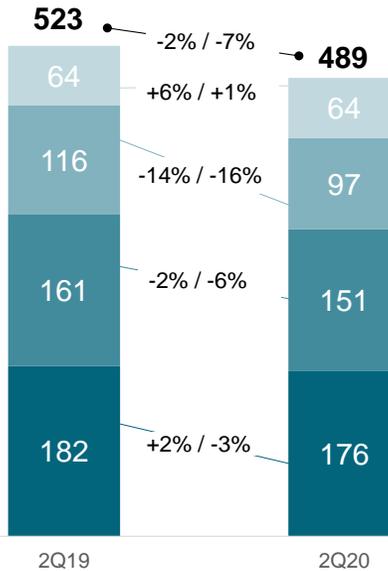
1H20 Revenues (€m)

Local Currency / Reported



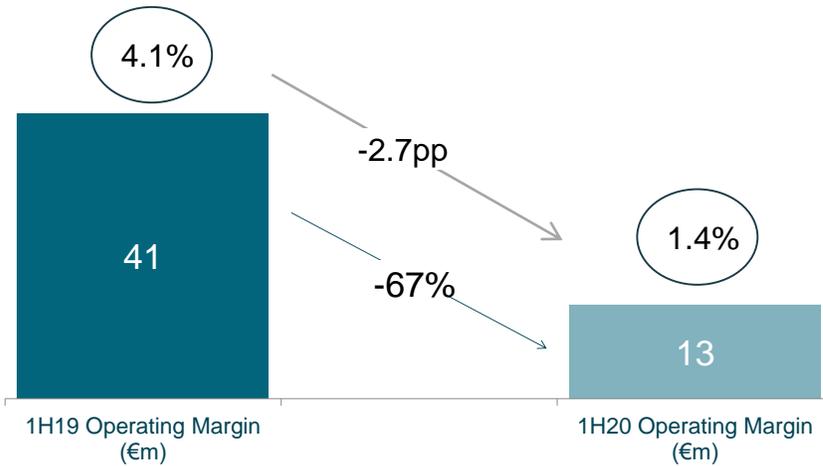
2Q20 Revenues (€m)

Local Currency / Reported

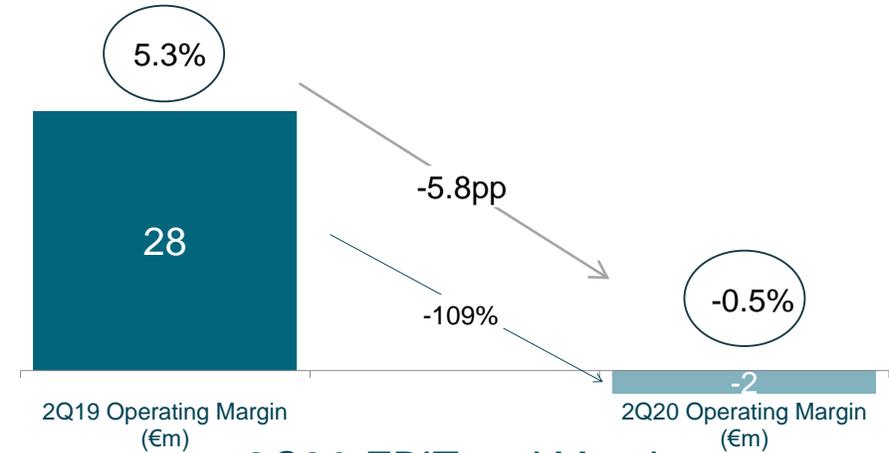


Minsait Operating Margin and EBIT evolution

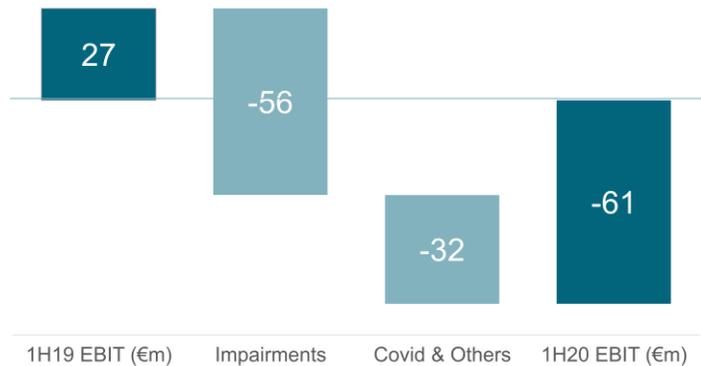
1H20 Operating Margin¹



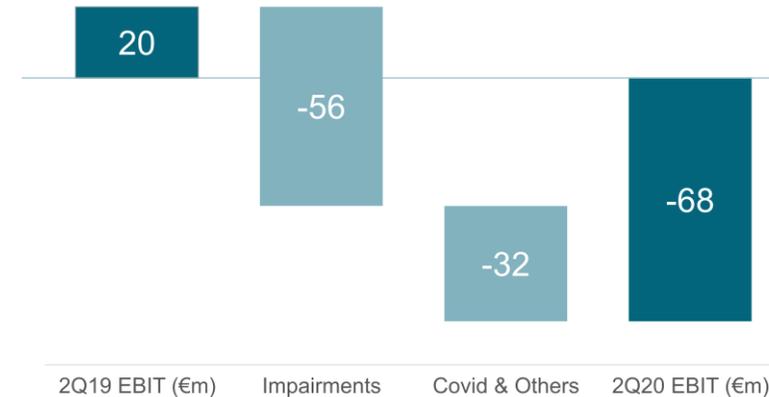
2Q20 Operating Margin¹



1H20 EBIT and Margin



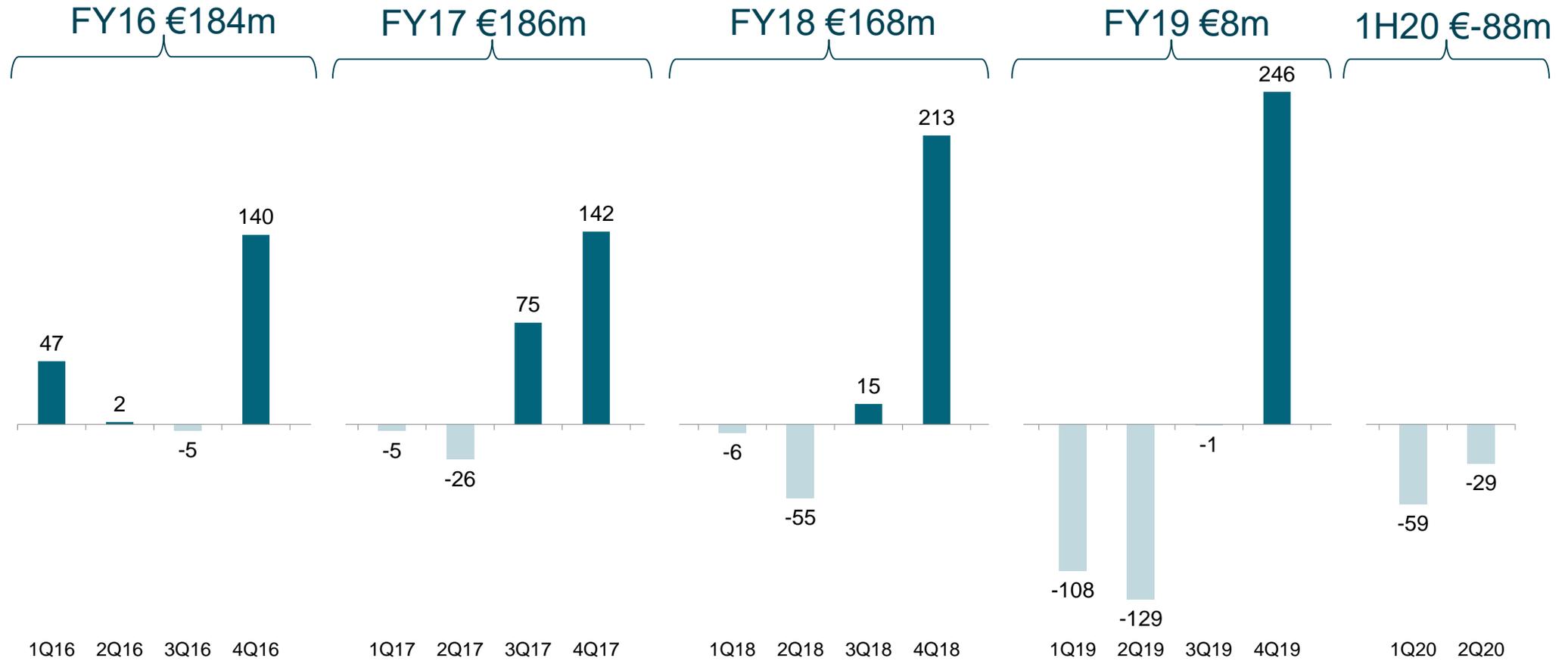
2Q20 EBIT and Margin



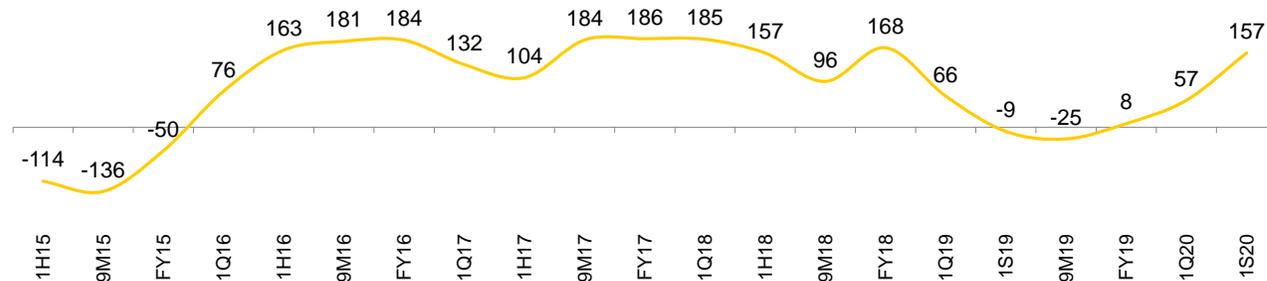
1. EBIT before Other Operating Income & Expenses, including: staff reorganization, impairments, integration and acquisition costs, fines, amortization of intangible assets (PPA from acquisitions) and equity based compensation.

FCF Generation

Quarterly FCF (€m)

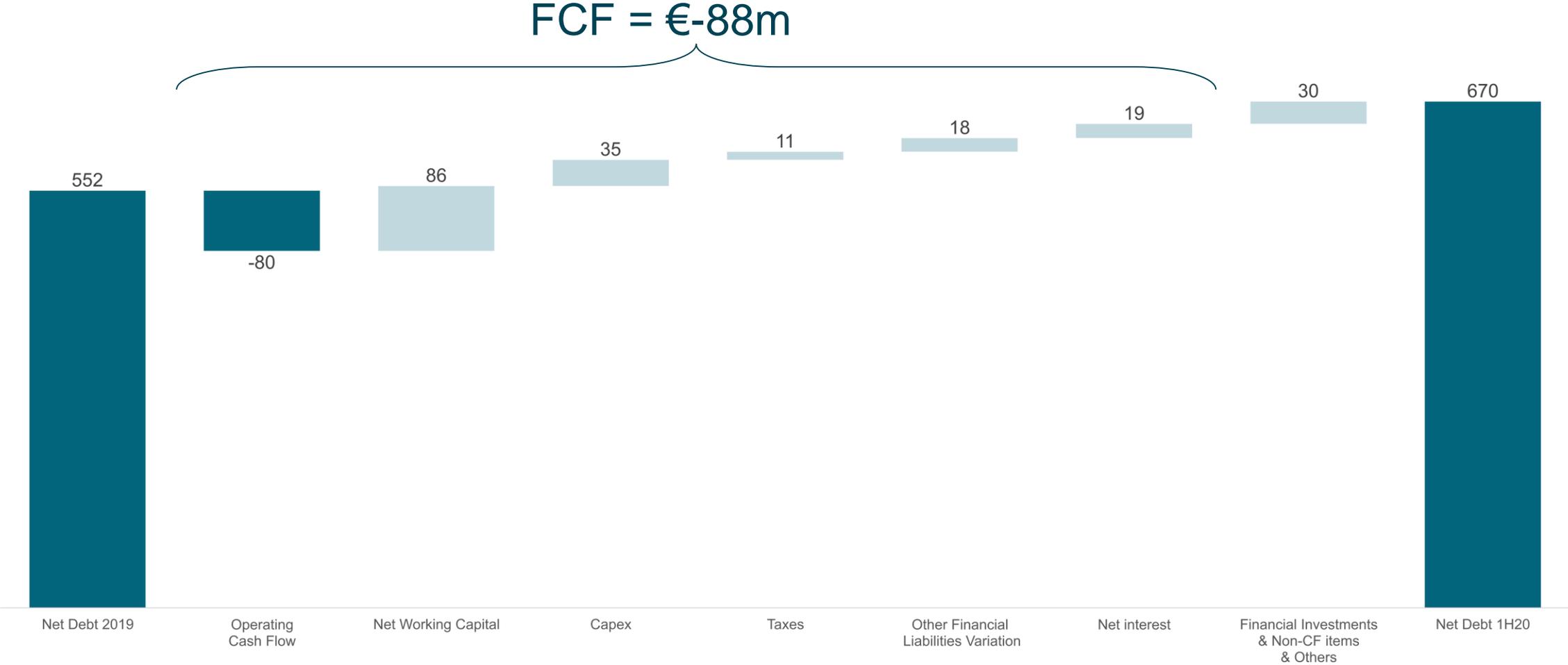


Accumulated FCF LTM (€m)



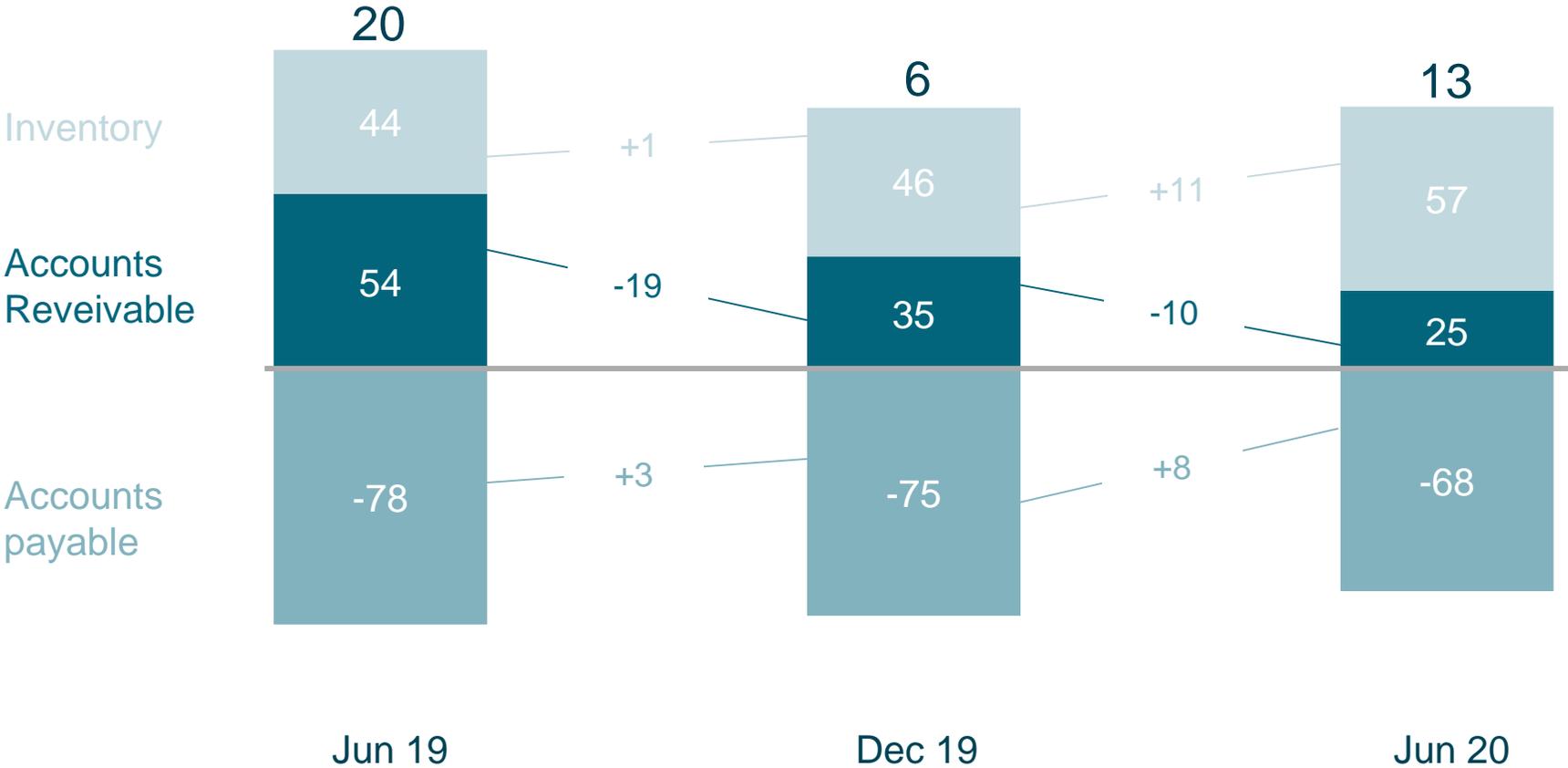
Net Debt Bridge

Net Debt Bridge – Cash Flow (€m)

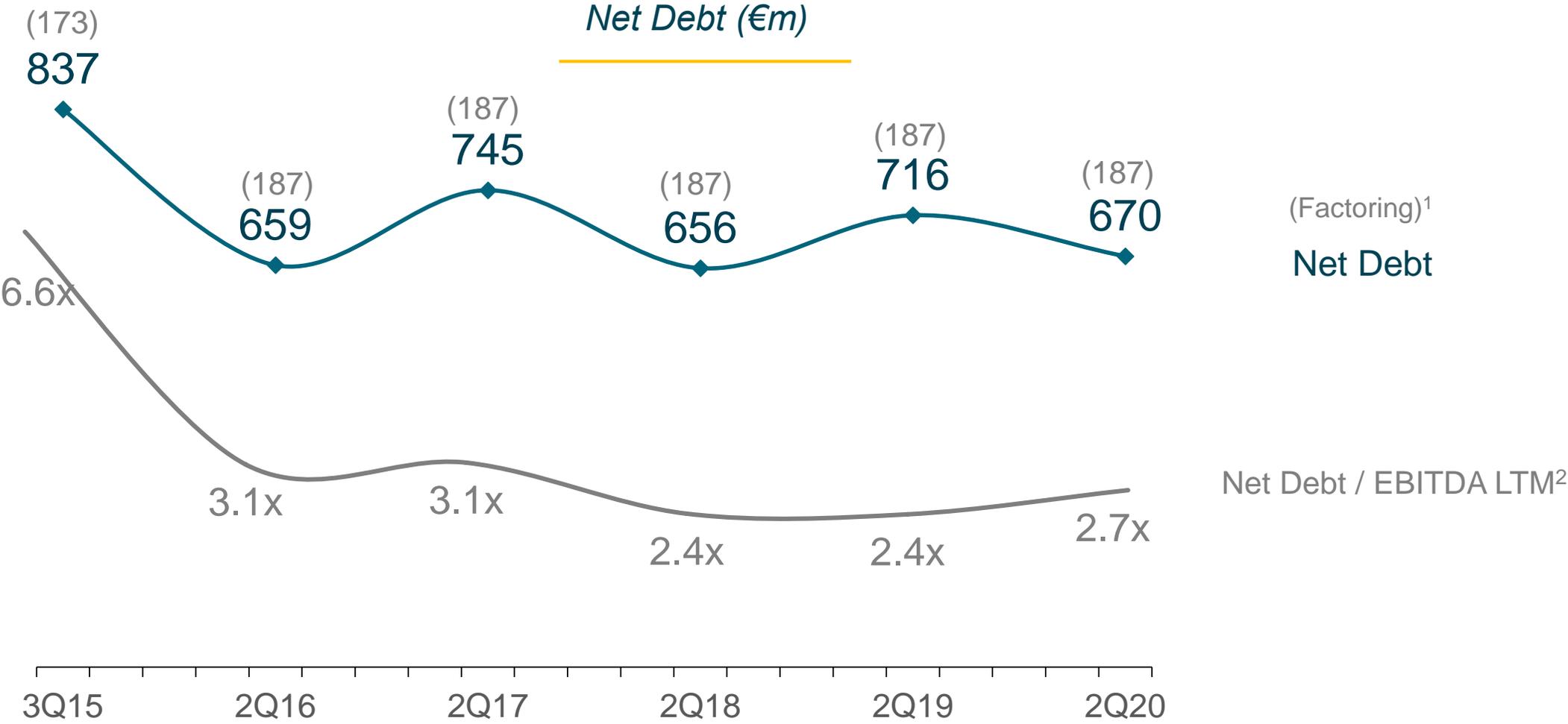


Net Working Capital Evolution

Net Working Capital (DoS)

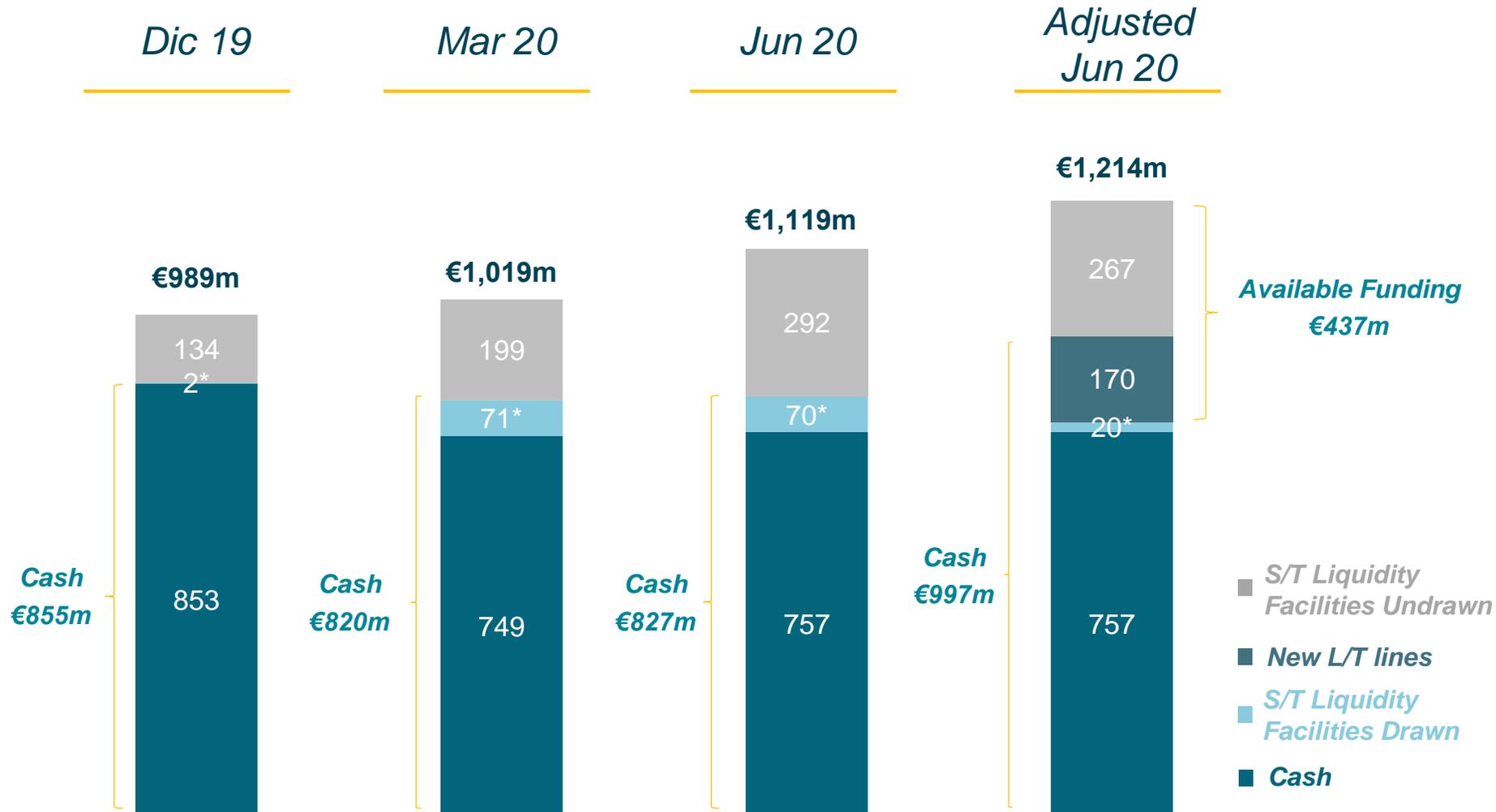


Net Debt Evolution



1. Non-recourse factoring; 2.EBIDA LTM excluding IFRS 16 and Intangible assets and clients impairment in 2Q20

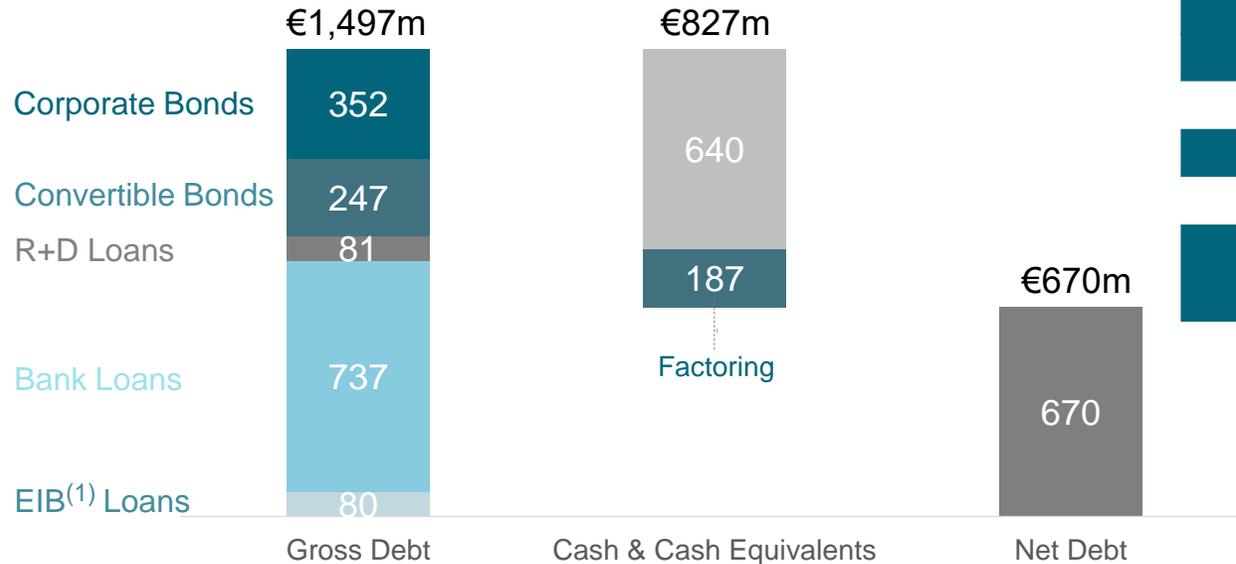
Liquidity Position Improved during the Quarter



- ✓ Indra continues to strengthen its liquidity position during the quarter...
 - ✓ Total lines increased by €100m in June
 - ✓ An extra €100m added in early July
- ✓ ...priming long term liquidity over short term lines...
 - ✓ €170m of long term facilities signed in early July
- ✓ ...providing the Group with a secured, stable cash position of c.€1bn
 - ✓ No covenants (except 80m EIB facility)
 - ✓ No meaningful maturities until 2H22

Diversified debt structure

Gross and Net Debt Structure

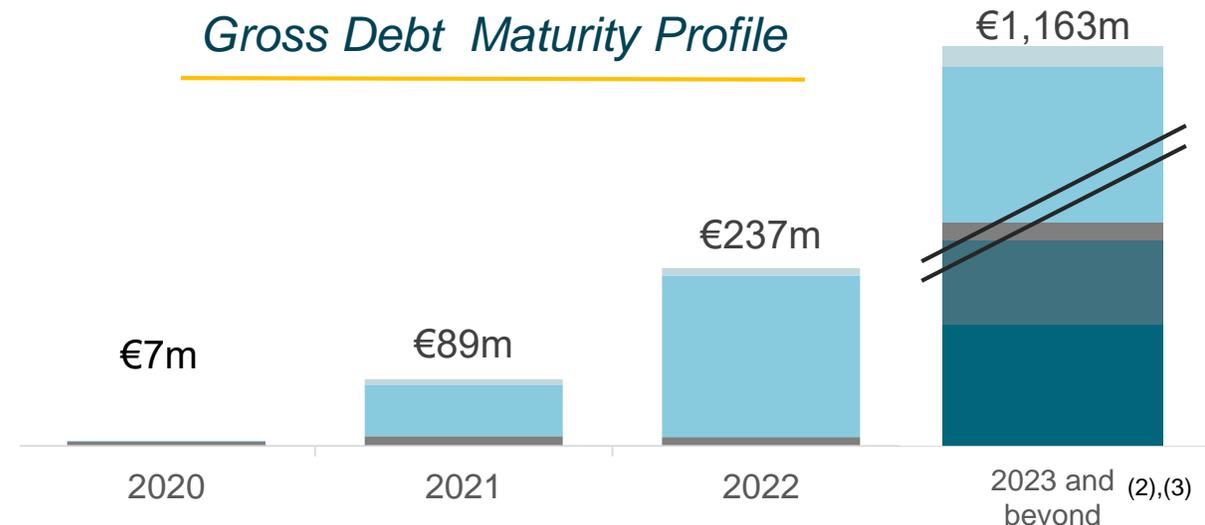


Other available credit facilities: €292m

| | 1H20 | FY19 |
|----------------------|------|------|
| Average life (years) | 3.5 | 3.7 |

| | 1H20 | % total | 2019 | % total |
|--------------------|-------|---------|-------|---------|
| L/T Debt | 1,418 | 95% | 1,380 | 98% |
| S/T Debt | 79 | 5% | 27 | 2% |
| Gross Debt | 1,497 | 100% | 1,406 | 100% |
| Cost of Gross Debt | 1.9% | | 1.8% | |
| Cash & Others | 827 | n.m. | 855 | n.m. |
| Net Debt | 670 | n.m. | 552 | n.m. |
| Cost of Net Debt | 3.1% | | 2.7% | |

Gross Debt Maturity Profile



1. European Investment Bank. 2. Including €246m Convertible Bond with 2023 maturity and €296m Corporate Bond with 2024 maturity. 3. The 2023 convertible bond has a put option in October 2021 which has not been considered as part of 2021 maturities



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