

8 March 2011

CONSULTING & SERVICES
REINITIATION OF COVERAGE

Indra

Still same doubts

■ 2010 guidance met, but lower quality

Indra met 2010 guidance: sales +2%, 11.2% EBIT margin, order intake +7%. Targets were nevertheless reached on higher than anticipated restructuring charges (EUR33m vs. EUR10m/11m initially guided) and some non-organic contribution in Q4 (sales +7% y-o-y vs. flat in 9m).

■ Macro still far from pointing to a recovery in Spain...

Spain will remain testing in 2011. We expect Indra's domestic sales to drop by 2% (defence, public admin and energy being the main millstones). We do not expect Spain to recover as from H2.

..harder for sales abroad to make a difference.

To meet Indra's sales target of +2% in 2011E, we would need sales abroad to grow by 9% y-o-y. While we look for LatAm (30% of sales abroad) to expand by 20% (c.a. 30% underlying on 10% currency depreciation), the target remains challenging (European sales, down 16% in Q4, are to remain weak).

■ Exposure to public and defence sectors still to drag FCF

The public sector accounts for c.a. 60% of Indra's customer base. Furthermore, pressure is to continue in the defence business (high margin), where we look for a 10% y-o-y decrease in sales in 2011E. All in, cash generation is to remain weak: we look for a EUR55m increase in debt in 2011E and a modest 3% FCF yield.

■ WC under pressure, P/E not relevant now, 3/Underperform

Indra appears cheap at 12x P/E 2011E, below the 15x through-the-cycle average. However pressure on WC will not ease (at least in Spain) during 2011, hence divergence between P&L and FCF to remain. Our EUR13.5 TP offers no upside and Indra is increasingly dependent on expansion abroad at a time when cash margins seem to be normalising with European peers. 3/Underperform.

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To 31/12 (EUR)	2009	2010	2011E	2012E
Sales (m)	2513.3	2557.0	2608.6	2702.7
EBITDA (m)	327.4	294.0	319.0	344.1
EBITA (m)	285.4	251.9	268.4	284.9
Net att. profit, rest. (m)	195.6	188.5	187.2	198.1
Free cash flow (m)	122.8	28.7	75.6	146.5
Clean EPS	1.21	1.17	1.14	1.21
Net dividend	0.66	0.70	0.70	0.74

Rating	3/Underperform
Target price (6 months)	-3.3% EUR13.51
Price (07/03/2011)	EUR13.965

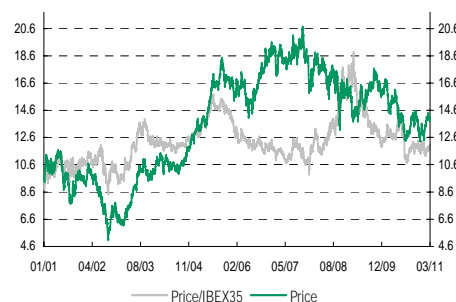
Reuters: IDR.MC Bloomberg: IDR SM

Stock data

Market capitalisation	EUR2292m
Free float	EUR1374m
Enterprise value	EUR2778m
No. of shares, adjusted	164.13m
Daily volume	EUR10.53m

Performances

	1 month	3 months	12 months
Absolute perf.	-0.8%	8.0%	-8.5%
Relative perf.	3.2%	2.1%	-4.0%



Next Event

12 May: Q1-10 results

Sector focus

Sector Top Picks: Alten, Capgemini, Dassault Systemes, Logica
Least favoured:

Shareholders

Free Float 60.0%, Caja Madrid 20.0%, Cf Alba 10.0%, Caja Asturias 5.0%, Del Pino Family 5.0%



VOTE IN THE
**Thomson Reuters Extel
Pan-European Survey 2011**

www.extelsurvey.com/quickvote

	2009	2010	2011E	2012E
P/E (x)	13.6	10.9	12.2	11.6
EV/EBITDA (x)	9.1	8.6	8.7	8.1
Attrib. FCF yield (%)	4.5	1.4	3.3	6.4
Net debt/EBITDA (x)	0.4	0.9	1.1	1.0
Yield (%)	4.0	5.5	5.0	5.3
ROCE (%)	24.5	18.4	17.7	18.1
EV/Capital empl. (x)	2.6	1.8	1.8	1.8

■ Company profile

■ Leading IT services player in Spain, LatAm presence

Indra is Spain's leading IT services player, with c.a. 15% market share (Spain made up 61% of sales in 2010). It is also present in Latin America (15% of sales in 2010), the balance being US, Europe and others.

■ Leading niche player

The company is a leading niche player in several verticals, such as Defence Electronics (simulation and testing), Traffic & Transport and Public Administrations (balloting systems).

■ 2011 guidance

Indra targets sales to grow by at least 2% in 2011, with notable growth rates in sales abroad (we look for +8.4% y-o-y) and domestic sales to show a slight annual decrease (us at -2% y-o-y). EBIT margin of at least 10.5% (us more conservative at 10.3%), order book to grow slightly from last year.

■ Shareholding structure

Bancajamadrid remains Indra's largest shareholder with 20%. The savings bank is in a selling mood. Alba holds a 10% stake, followed by CajaAstur and Casagrande de Cartagena with a 5% stake each.

■ SWOT analysis

Strengths

- 1) Solid track record in delivering
- 2) Backlog covers c.a. 1-yr sales
- 3) Strong in niche segments
- 4) 15% domestic share
- 5) Solid finances (1x EBITDA)
- 6) Solutions c.a. 70% of sales

Weaknesses

- 1) Weak Spain still 65% of sales
- 2) Domestic outlook challenging
- 3) Low market share in industrial and commercial IT market
- 4) High exposure to public administrations
- 5) Weak cash conversion
- 6) Exposure to defence budgets

Opportunities

- 1) International expansion
- 2) Exporting defence & transport solutions
- 3) Accompanying Spanish companies in internationalisation processes
- 3) Single European Sky initiative
- 4) Acquisition of companies to complement its portfolio
- 5) More efficient use of balance sheet
- 6) Weak macro environment forcing closure of competitors

Threats

- 1) Tougher competition continues adding pressure on margins
- 2) LatAm currency risk (c.a. 15% of sales)
- 3) Delay or loss of big contracts. Further worsening of WC (high weight of public administrations)
- 4) Overhang risk: Cajamadrid & others own 25%
- 5) Risk of missing sales target for 2011E (+2%)
- 6) Delays in contract execution

■ Valuation

We have a target price of EUR13.51 per share, roughly in line with market prices. Our DCF model is based on the following assumptions: 9.0% WACC (9.5% cost of equity, 7% cost of debt), 1.5% terminal growth rate.

It is true that after recent underperformance Indra is currently trading at a c.a. 20% discount to the mid-cycle multiple of 15x. We nevertheless believe that concerns regarding public sector spending remain in place and this, coupled with continuing pricing pressure (heading north in growth areas such as LatAm, a region on which Indra is increasingly dependent), will lead to the discount being maintained.

■ Investment case

Indra shares are up 8% YTD, roughly in line with European IT services stocks. We find no reasons yet for adopting a positive stance:

We remain cautious on Spain...

In our view we are far from a recovery in Spain and the macro environment is not yet stable enough to blindly bet on the situation improving as of H2.

...doubts on WC not dispelled in the ST...

Indra barely generated any FCF in 2010 (EUR20m before financial investments). WC rose to 93 days vs. 80 days in 2009 (and likely to reach 100 days in 2011E).

... P/E multiples are of little relevance now

We believe that right now P&L tells us little about Indra (reported margins are unusable since there are CF outflows of c.a. EUR150m which can be assigned to margin financing).

We regard Indra as a high-quality company, though we believe it is still too soon to buy shares and we will wait for more visibility on WC before changing our stance. In view of the increased weight of LT contracts in Indra's backlog, its high exposure to the public sector (60% of sales), and the fact that it should underperform its sector in 2011E (European IT +3%, margin expansion vs. Indra's +2% and margin erosion), we reinstate coverage on the stock with a 3/Underperform rating.

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Summary

We reinitiate with 3/Underperform. EUR13.5 TP offers 3% downside at market prices

We are re-initiating Indra with 3/Underperform. Our EUR13.51 TP offers no upside at current prices. We believe Indra risks being pushed into a strategic corner, highly dependent for success on sales abroad (at a time when Spanish and European sales are to remain weak). In addition, the historic premium at which the company has traded in the past will not be regained in the medium term as long as pressure on WC continues (fears of Indra's real margins normalising with rest of European peers at c.a. 9%).

2010 guidance met, though lower quality

Indra has met its guidance for 2010 earnings. Reportedly, sales have grown by 2% y-o-y, EBIT margin stood at 11.2% (before extraordinary charges), whilst the order book increased by 7% y-o-y, above the +5% initial guidance. Nevertheless, it was lower quality: EUR33m restructuring costs from the EUR10m-11m initially guided, to which we should add some non-organic growth in Q4 (domestic sales +2% vs. -5% to September, revenues abroad +16% vs. +8% to September).

We see 2011 guidance as aggressive

Top-line growth of 2% looks feasible (albeit highly dependent on LatAm sales, currency risk gains relevance), though in our view achieving the 10.5% EBIT margin guidance will be no mean feat (consolidation in the Spanish banking sector not helping). One could argue a 1.14x book to bill ratio provides comfort for the 2% revenue growth guidance. We do not entirely agree, and regard it as useless since the weight of multi-year deals in it increases.

WC deterioration a big issue

WC rose to 93 days in 2010, from 80 days in 2009. This led cash conversion to weaken substantially (mid single-digit before financial investments, which compares with c.a. 50% in 2009). We expect WC to increase to 100 days in 2011 (the company is not against this view), whilst other CF captions such as cash taxes and other (where CF outflows increased by c.a. EUR20m in 2010) do not make us feel ultra comfortable going forward.

Valuation premium no longer deserved?

Indra has historically traded at a premium to other European IT services companies both in terms of EV EBIT and P/E (above 25% premium). Over the last two years this premium has been substantially reduced and now Indra is trading roughly in line with its sector in P/E terms, still at a decent premium in terms of EV/EBIT. We believe Indra faces a tough 2011 due to a change in mix (weight of long-term contracts increasing), its continuing high exposure to the public sector (60% of sales), and a generally weaker relative outlook vs. its European peers (IT services in Europe to grow c.a. 3%, margins to expand, Indra to grow revenues 2%, margin erosion on the cards).

INDRA: PEER COMPARISON

	Market Cap.	P/E 11E	P/E 12E	EV/EBIT 11E	EV/EBIT 12E	EBIT Margin %11E	EBIT Margin % 12E
Atos Origin	3 169	13	11	9.1	7.6	6	5.9
Capgemini	6 401	13.4	11.2	7.5	5.9	7.8	8.8
Logica	2 534	10.2	8.8	8.3	6.8	7.7	8.3
Steria	656	9.8	8.2	7.2	6	7.1	7.7
Tieto	981	11.3	10.6	8.6	7.9	6.8	6.9
IT Services	13 741	12.4	10.5	8.1	6.6	7.3	7.9
Indra	2 270	12.2	11.6	9.8	9.1	10.3	10.6

Source: CA Cheuvreux

I – Valuation

Our EUR13.51 TP for Indra offers no upside from current share prices. We believe the recent multiples de-rating is justified on lower growth prospects, cash margins normalising towards European peers, high exposure to public sector. At above 10% premium to other European IT service vendors in terms of EV/EBIT, and considering the outlook for Indra's domestic business is far from improving, we believe the stock should underperform.

■ EUR13.51 target price, no upside from current prices

**EUR13.51 target price,
limited upside**

We use a DCF model to value Indra, obtaining a target price of EUR13.51 per share, 3% downside at current share prices.

INDRA: WACC CALCULATION

(EUR m, %)	WACC
Risk free rate	5.5%
Risk premium	4.0%
Beta	1.00
Cost of equity	9.5%
Gearing in market value	13.2%
Debt spread	1.5%
Cost of debt	7.0%
Tax rate	30.0%
WACC	9.0%

Source: CA Cheuvreux

INDRA: DCF

(EUR m, %)	DCF Value
Enterprise value	2 612
Financial assets & Associates	- 69
Capital employed	2 543
Net financial debt	- 342
Treasury shares (mk. cap)	16
Shareholders' equity	2 218
Number of shares	164
DCF value	13.51
Share price	13.97
DCF value upside	-3.3%

Source: CA Cheuvreux

**Traditional premium
no longer deserved**

Multiples de-rating justified?

Indra has traditionally traded at a premium to other European IT services companies thanks to its better mix (both in terms of revenues and clients) and higher operating margins (c.a. 11% in 2008 for Indra vs. 6-7% for its peers). As shown in the table below, the average premium at which Indra has traded over the last few years in terms of P/E has gradually faded away.

INDRA: HISTORICAL VALUATION MULTIPLES

	Market Cap.	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Atos Origin	3 169	27.1	12	23.2	15.7	14.8	27.7	17.4	7.2	11.4	14
Capgemini	6 401	60.2	NS	NS	NS	30.7	18.1	12.2	7.1	11.5	14.3
Logica	2 534	33.3	13.9	27.8	30	23.7	18	11.7	5.7	9.2	10.9
Steria	656	20.4	11.1	22.2	20	17.5	13.6	9.1	3.5	10	9.7
Tieto	981	23.4	11.6	17.6	14.1	16.7	7.5	NS	13.8	11.9	11.8
IT Services	13 741	43.1	12.5	24.0	20.8	24.1	19.3	13.2	7.2	11.0	13.2
Indra	2 270	27.9	15.4	19.7	24.3	22.3	23.3	19.9	14.3	13.6	10.5
Premium		-35%	23%	-18%	17%	-8%	21%	50%	99%	24%	-20%

Source: CA Cheuvreux, FactSet

Margins not comparable on WC differences

Public sector no longer a plus

We believe there are several reasons which justify Indra's ceasing to trade at such a premium:

- Business mix not so positive any more: the high weight of defence-related activities no longer seems to be a premium. The sharp reduction in activity is apparently a structural trend in Spain (here to stay for at least 3-4 years). Public defence spending in Spain has been cut on average by 7% p.a. over the last two years and we see few reasons for this to change.
- Margins normalising in accordance with peers? Indra has set a 10.5% EBIT margin target for 2011E. Although this is still significantly higher than most of its peers (Cap Gemini at 8%), we believe pressure on WC limits visibility on reported margins, hence premium on higher margins will not come back for the time being (WC accounts for c.a. 20% of sales at Indra, in the 5% region for Cap). Pressure on prices and change of mix (more multi-year contracts at a lower margin).
- Furthermore, cash collection in Spain is possibly less certain timing-wise than any other European market. Is true one could argue companies should use their balance sheet to retain their market positioning, as Indra is doing. What we argue is that it has a negative impact on your real cash margins.
- Growth no longer that of the past: we look for sales growing 2% in 2011E, in line with the company's guidance. This is below the average 3% that European IT services should grow in 2011E (we reckon Indra is penalised by the high relative weight of defence and transport activities).
- Client breakdown turning from an asset into a liability: the high weight of the public sector (making up 60% of clients, or 50% of sales, 50% of which in Spain) will remain a negative. Going forward, we see little improvement in public administrations' cash position (we include here not only the public administrations & healthcare vertical, but also security & defence, financial services and transport & traffic).

In the table below we see Indra is currently trading at a discount to its European peers. We believe this will not reverse in the medium term.

INDRA: PEER COMPARISON

	Market Cap.	P/E 11E	P/E 12E	EV/EBIT 11E	EV/EBIT 12E	EBIT Margin % 11E	EBIT Margin % 12E
Atos Origin	3 169	13	11	9.1	7.6	6	5.9
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IT Services	13 741	12.4	10.5	8.1	6.6	7.3	7.9
Indra	2 270	12.2	11.6	9.8	9.1	10.3	10.6

Source: CA Cheuvreux

II – 2011 guidance not risk-free

We see Spanish sales down 2% in 2011, with sales abroad +9% y-o-y, enough to reach guidance of at least 2% group revenue growth. Nevertheless, we see guidance as aggressive, and believe Indra is more dependent than ever on expansion abroad, risky in our view at a time when European sales are under pressure and competition in LatAm is on the rise.

■ Spain not yet improving

Indra share price is +9% YTD, slightly outperforming the Spanish Ibx 35 index.

This outperformance has been due to an overall better environment for Spanish equities and hopes of Spain's macro outlook improving, allowing Indra's domestic sales growth to get back into the black by the end of 2011. Spain accounts for c.a. 60% of Indra's sales.

We disagree with these hopes. Spain will be of little help to Indra in 2011, at least in organic terms. Although GDP growth in 2011 and 2012 (we look for +0.5% and +1.7%, respectively) is set to beat that of 2010 (down 0.3% y-o-y), it will be difficult for Indra's Spanish sales (on a l-f-l basis) to exceed 2010 figures (on a reported basis we look for a 2% annual decrease). We do not see the 2010 sales performance (domestic sales +2% in Q4 vs. 5% y-o-y decrease seen to September) as a trend to be extrapolated to 2011E. In fact, the company still expects domestic sales to slightly decrease y-o-y in 2011E (though below the c.a. 3% decrease seen in 2010).

It is not that we are sceptical of the Spanish government's plan to cut the deficit, but it does mean there will be spending restrictions. As we can see below, our macro expectations are for Spanish public spending to drop by c.a. 1% p.a. in both 2011E and 2012E. Personal spending will also remain weak in 2011E (+0.1% y-o-y vs. the +1.1% seen in 2010), whilst projections for 2012E (+1.5% y-o-y) in our view do not support expectations of domestic sales growing above our +2% forecast for 2012E. One could argue that confidence in Spain is to improve. We would say that confidence does not pay the bills.

**Spain to be little help
in 2011E...**

SPAIN MACRO ESTIMATES 2009-12E

y-o-y change	2009	2010E	2011E	2012E
Total GDP (chained 2000 prices)	-3.7	-0.3	0.5	1.7
Personal spending	-4.2	1.1	0.1	1.5
Public spending	3.2	-0.1	-0.8	-0.8
Gross fixed capital formation	-16.0	-7.6	-2.0	2.5
Total domestic demand	-5.9	-1.2	-0.5	1.3
Net exports (contribution to growth)	3.2	0.9	1.1	0.4

Source: CA Cheuvreux

**...due to weak public
sector**

IT sector spending remains correlated to GDP (at 1.5x to 2x deflated GDP, which would in theory imply negative growth for IT services in Spain in 2011E). Certainly, some players in Spain are pointing to stabilisation or an upward trend (despite remaining tough) but these players are just exposed to the commercial sector and not to Spain's public sector.

It is true that Indra has recently signed several multi-annual contracts (Prisa and Telefonica, among others) which are to ramp up in 2011, though in our view at the expense of operating margins. On the other hand, we do not see the Security & Defence business in Spain recovering in the medium term (Spanish government needs to cut c.a. EUR30bn deficit in 2011).

Sales guidance of +2% achievable...

In connection with the above, the public sector (c. a. 60% of Indra's revenues) will in our view be likely to downsize contracts going forward (and this pressure will probably be sustained in 2012, once a new government comes in with austerity measures to be implemented). We do not see Indra fighting these decisions in the courts but rather negotiating with the government.

We believe it is still too soon to bet on a recovery (most of those looking for flattish sales growth in 2011 agree on H1 being weak and a return to growth in H2). We definitely need more visibility before placing our bets on a strong Spain as from June 2011. Furthermore, we would adopt a very cautious stance on regional and local administrations (to whom Indra is exposed via the Public Administrations and Healthcare vertical).

■ 2011 guidance is not risk-free

Indra is guiding for a 2% increase in sales in 2011 with order intake expected to exceed both sales growth and 2010 order intake y-o-y growth of 7%. Robust sales abroad should more than offset domestic sales (Spain c.a. 60% of total sales), which the company estimates will show flattish to slightly negative growth. The company does not provide details by vertical.

Margin-wise, Indra looks for an EBIT margin of at least 10.5%, with no restructuring charges to be included (although the company is not definitely ruling them out).

INDRA: GUIDANCE FOR 2011

(EUR m)	Guidance	CA Cheuvreux	Consensus
Sales	> 2%	2.0%	2.3%
o/w Spain		-2.0%	
o/w Abroad		8.4%	
Order intake	> 7%		
EBIT margin	At least 10.5%	10.3%	10.8%

Source: Indra

Though most read Indra's guidance as conservative and cautious (it came out below consensus at that time), we believe it is aggressive. Indra has stated that conditions will remain tough in Spain during 2011 (though it expects to see some positive signs later in the year). We should not take q-o-q sales performance in 2010 (from c.a. 3% negative growth in Q2 to c.a. 7% positive in Q4) as a proxy for what to expect in 2011E.

Notwithstanding the above, our estimates are in line with those of the company at the sales level (+2%), and more conservative in terms of EBIT margin (we look for 10.3% EBIT margin).

Sales abroad need to grow 9% in 2011

Based on our estimates of sales in Spain coming down 2% y-o-y in 2011E, we would need sales abroad to grow by 9% in 2011 in order to meet the company's guidance. We believe it will be harder for sales abroad to continue offsetting weak domestic sales, even though management has guided for significant growth in Indra's international sales.

Indra's sales abroad made up 39% of total sales at the end of 2010, with the following geographical breakdown: Europe 17% of total sales, LatAm 15% of total sales, Asia/Africa/Australia 6% of total sales, US 1% of total sales.

...sales abroad under pressure in 2011E

INDRA: REVENUES – GEOGRAPHICAL BREAKDOWN

(EUR m)	2009	%10/09	2010	%11/10	2011E	%12/11	2012E
Domestic market	1 613.0	-2.9%	1 566.2	-2.0%	1 534.9	1.0%	1 550.2
weight	64%	n.m.	61%	n.m.	59%	n.m.	57%
International markets	900.2	10.1%	990.8	8.4%	1073.6	7.1%	1149.6
o/w Europe	448.5	-5.2%	425.2	-5.0%	403.9	1.0%	408.0
o/w US	31.6	-9.8%	28.5	3.0%	29.4	1.0%	29.6
o/w LatAm	264.0	40.7%	371.5	20.0%	445.8	10.0%	490.4
o/w Other	156.1	6.1%	165.6	17.5%	194.5	13.9%	221.6
Total Sales	2 513.2	1.7%	2 557.0	2.0%	2 608.5	3.5%	2 699.9

Source: Indra, CA Cheuvreux

Europe sales to come down 5% in 11E...

...all the best in LatAm

EBIT margin at 10.3% in 11, below guidance

The recent performance and outlook for each geographical area are as follows:

- Europe: looking at Q4 sales performance, Europe seems to be slowing down. European sales (which accounted for 17% of the total figure at the end of 2010) were down 19% y-o-y in Q4, with an annual decrease of more than 5%. This weak performance is unlikely to be reversed in 2011, principally due to continued delays in the latest stage of the Eurofighter. We look for European sales to drop by 5% y-o-y in 2011.

- LatAm: LatAm sales massively outperformed in Q4, with 69% y-o-y growth. It seems clear that LatAm will need to offset the above-mentioned likely weak performance of European sales. We are nevertheless not ultra-comfortable with LatAm sales needing to grow by c.a. 20% y-o-y in 2011E, due to currency risk. Should we go for an average 10% depreciation in LatAm currencies, we would need LatAm sales to surpass the 30% annual growth in local currency, which we see as tight, despite contracts signed in Brazil, Mexico, Chile and Peru. We should not downplay the pricing risk in LatAm, one of the few growth areas worldwide, where other European players are heading.

In fact, although Cap Gemini is targeting c.a. 20% revenue growth in Brazil this year, the EBITA margin should stay in the 6% region within a highly competitive market.

Furthermore, we should not underestimate the impact on contract and sales growth of the ongoing geopolitical unrest in Northern Africa (which accounts for c.a. 2% of Indra's sales abroad).

10.5% EBIT margin guidance

As regards operating margins, Indra is guiding for at least 10.5% for FY-11, assuming no restructuring costs. As stated, we are slightly below the company's assumptions at 10.3%, in view of the following:

- Pricing pressure to continue in mature markets such as Spain. High growth areas such as LatAm could start to show pricing pressure.
- Defence, a high-margin activity, to remain weak in 2011E. We look for defence sales to come down by more than 10% y-o-y next year.
- Solutions (higher margin area) to show limited organic growth (defence to remain weak on Eurofighter, the same for Energy), with services (outsourcing) continuing to gain weight (Telecoms & Media, Finance & Insurance).
- More importantly, the public sector will continue exercising downward pressure on margins (on top of a clutch of revenues) since key vendors such as Indra are now more engaged (higher weight of larger and longer-term contracts).

III – 2010 guidance met...

Indra's 2010 results were in line with the company's guidance: sales +2% to EUR2.56bn, order intake +7%, recurrent EBIT margin of 11.2%.

■ Sales +2% y-o-y, 11.2% adjusted EBIT margin

Indra has complied with all its 2010 targets, with sales growing by 2% to EUR2.56bn, order intake up by 7% (to EUR2.88bn, an implied book to bill of c.a. 111%), and EBIT margin (excluding EUR33m restructuring costs, vs. the EUR15.3m initially anticipated) of 11.2%. The company also stated that 2010 DPS will be at least the same as in 2009 (EUR0.66 DPS: we previously looked for EUR0.60, which implies increasing the payout from 55% in 2009 to c.a. 60% in 2011).

INDRA: 2010 GUIDANCE MET

	Guidance	2010
Sales	2%	1.7%
Order intake	> 5%	7.0%
EBIT margin	In the 11.4% range	11.2%

Source: Indra

This implies highly positive performance in Q4-10, with sales growth of close to 7% (compared with flat performance to September), and even a y-o-y rise in sales in Spain (+2% y-o-y in Q4, vs. 5% annual decrease seen to September and 3% negative growth in Q3 standalone). International sales also picked up on a quarterly basis, with 16% y-o-y growth in Q4 standalone, way above the +8% seen to September and the 7% standalone growth seen in Q3.

Sales +1.7%, in line with 2% guidance

Q4 performance, not 100% organic

INDRA: Q4 PERFORMANCE

(EUR m, %)	Q4-09	y-o-y	Q4-10	To September
Sales	634.3	7.0%	678.4	0.0%
Traffic and Transport	117.2	19.2%	139.7	9.1%
Financial Services	63.4	45.7%	92.4	10.7%
Telecoms and Media	71.5	13.6%	81.2	9.0%
Public Health	92	1.6%	93.5	3.0%
Industry and Energy	90.9	14.2%	103.8	(10.9%)
Defence and Security	199.3	(15.8%)	167.8	(11.7%)
Recurrent EBIT	70.7	12.0%	79.2	(4.0%)
Recurrent EBIT margin	11.1%		11.7%	-
Reported EBIT	70.7	(13.6%)	61.1	(11.0%)
Reported EBIT margin	11.1%		9.0%	-

Source: Indra

By vertical, Telecoms & Media surged 45.7% y-o-y (a sharp improvement from the 11% growth seen in the first nine months of the year), along with Traffic & Transport (+19.2% vs. +9% to September), Finance & Insurance (+14% vs. +9% to September) and Industry & Energy (+14% y-o-y in Q4 vs. c.a. 11% annual decrease to September).

EUR33m restructuring charges

There are several reasons for the sharp outperformance seen in Q4 (as shown in the table above):

- Calendar adjustments at the Industry & Energy vertical led to an abnormally weak performance in Q3 (c.a. EUR10m delay in one contract), which was reversed in Q4.
- Telecoms & Media: the contract with the Spanish media publisher Prisa kicked in, with Q4 in our view showing a higher than average run rate. Otherwise, we believe there has been "non-organic" volume growth at certain telecoms clients (which are "externalising" some costs to Indra in exchange).
- Higher than anticipated restructuring charges: EUR33m (c.a. 1.5% of total revenues) for FY-10 vs. the EUR11m initially guided for at the beginning of the year. It is nevertheless true that Indra had already announced restructuring charges were to stand at EUR33m.
- Acquisitions: financial investments amounted to c.a. EUR30m in Q4-10 (vs. EUR19m to September). It must be said that a portion of these investments (some of FY-10 financial investments referred to units Indra was already fully consolidating such as Indra Espacio, hence no additional impact on revenues) resulted in the non-organic growth that partially helped Indra to meet its 2010 targets.

IV – ...though not free of charge

WC management has proven to be the name of the game for Indra in 2010 and going forward. WC increased to 93 days (from 80 in 2009, and we estimate it will reach 100 days in 2011E), indicating that the company's need for funding customer/sales growth is on the rise. This obviously has a negative impact on FCF generation, which will remain weak in 2011-12E, leading to net debt/EBITDA of 1.1x in 2011E, and more importantly, cash conversion (FCF before financial investments & buybacks/sales) at less than 3%.

■ CF conversion continues to worsen

CF conversion weakening

Indra's cash flow conversion continued to weaken in 2010, with net WC increasing again in Q4 to stand at 93 days (compared with 80 days in 2009). Furthermore, other operating FCF also dropped sharply from last year (from EUR17m outflow in 2009 to EUR39m outflow in 2010, for apparently little reason), taking FCF to a negative figure of EUR140.6m, or EUR29m net of financial investments.

INDRA: FCF 2010

(EUR m)	2009	y-o-y	2010
Pre-tax profit	260.7	(27.1)	233.6
Depreciation	42.0	0.1	42.1
Provisions and Other	10.2	3.0	13.2
Net financial result	24.9	(5.8)	19.1
Changes in WC	(49.7)	(56.2)	(105.9)
Other operating changes	(16.7)	(22.1)	(38.8)
Income taxes paid	(61.7)	7.3	(54.4)
(vs. P&L taxes)	1.0	(9.7)	(8.7)
Capex	(79.8)	(9.2)	(89.0)
Financial investments	(20.2)	(29.1)	(49.3)
Dividends	(98.8)	(8.0)	(106.8)
Changes in treasury stock	12.9	(19.3)	(6.4)
Other	(9.9)	20.6	10.7
Changes in net debt	14.9	(155.5)	(140.6)

Source: CA Cheuvreux

In our view this suggests that operational trends are worsening, since the numbers indicate that the company needs to provide better payment terms to grow its contract base. We agree Indra's client base is good quality, though in our view the relative weight of these high-quality clients (which are under great pressure) has increased in the downturn, which makes it easier for them to keep on reducing the size and scope of contracts (those clients now have higher bargaining power).

Still risk of payment delays

In fact, we believe there is certain downside risk on cash conversion as Public Administrations remain under pressure. We might see no further worsening of down payments at Defence & Security, though others are still under pressure.

As stated, the company barely generated FCF in 2010, at c.a. EUR30m adjusted by financial investments. This put cash conversion (FCF before financial investments and buybacks/total sales) at 1% in 2010, a marked deterioration from the c.a. 5% of 2009.

INDRA: CF 2009-12E

(EUR m, %)	2 009	2 010	2011E	2012E
Net profit before minorities	198.0	187.9	188.0	200.7
Depreciation	42.0	42.1	46.3	50.8
Non-cash provisions	0.0	0.0	0.0	0.0
Minorities	(0.2)	(0.9)	0.0	0.0
Other	12.5	(5.6)	(12.5)	(12.5)
Total operating cash flow	252.3	223.6	221.7	239.0
Working capital	(49.7)	(105.9)	(54.4)	1.8
CAPEX	(79.8)	(89.0)	(85.0)	(85.0)
Financial investments	(20.2)	(49.3)	(15.0)	(15.0)
FCF before dividends & buybacks	102.6	(20.7)	67.3	140.8
Buybacks & other	11.3	(12.4)	(5.0)	(5.0)
Dividends	(99.0)	(107.6)	(115.0)	(115.0)
Decr. (incr.) in net debt	14.9	(140.6)	(52.6)	20.7
CF conversion	4.9%	1.1%	3.2%	5.8%

Source: CA Cheuvreux

Net debt/EBITDA of 1.1x in 2011E

2011 will also be a tough year in terms of cash conversion. We look for a EUR53m increase in net debt, or c.a. EUR67m FCF before dividends and financial investments, an implied CF conversion of 3%, in our view too low for the multiples at which the company is trading.

This will imply Indra's net debt staying above the EUR300m mark over the next two years, with net debt/EBITDA standing at above 1x in 2011E. Although this cannot be considered stretched according to average market standards, it would be Indra's highest in recent history.

P&L less relevant now, Q4 says so

We believe Indra's meeting its P&L guidance is of limited relevance within the current environment. In other words, in our view we should not look at the P&L in isolation but more than ever compare it with the CF evolution.

Increasing divergence between P&L & CF

Looking at Q4 P&L, we note that sales in Spain returned to positive growth (from a 5% y-o-y decrease to September), and bookings increased robustly. In the same period, net debt grew on rising WC outflow, increasing financial investments, and other CF captions weighing negatively (cash taxes in Q4 were c.a. EUR21m higher than P&L taxes, vs. EUR13m in Q4-09).

INDRA: Q4 SELECTED INFORMATION

(EUR m)	Q4-09	y-o-y ()	Q4-10
P&L			
Order intake	749.2	20.6	769.8
Domestic sales	401.9	7.6	409.5
FCF			
Changes in WC	88.1	-69.4	18.7
Financial investments	-8.6	-21.4	-30

Source: Indra

Accordingly, we believe less attention will be paid over the coming quarters to the P&L evolution, with the focus to remain on FCF performance (with WC likely to remain under pressure). In other words, we believe investors will be concerned about how much Indra will need to utilise its balance sheet in order to keep its customers/sales.

V – Consolidated estimates

We look for EUR338m EBITDA and 10.6% operating margin in 2012E (one year later than company's guidance). In our view, pressure on margins will remain going forward, due to a combination of price pressure (not only in Spain but also in LatAm) and change of mix (higher weight of multi-year contracts at lower margins).

■ 10.6% EBIT margin for 2012E

Below we show our main P&L estimates for Indra in 2008-12E. Sales should grow by between 2% and 4% p.a. over the next two years, with the EBIT margin rising from 9.8% at the end of 2010 (reported) to 10.6% in 2012E.

**EBIT margin from
9.8% in 2010 to 10.6%
in 2012E**

INDRA: MAIN P&L ESTIMATES 2009-12E

(EUR m, %)	2009	%10/09	2010	%11/10	2011E	%12/11	2012E
Revenues	2 513	2%	2 557	2%	2 608	4%	2 700
Other income	61	23%	74	2%	76	2%	78
EBITDA	327	0%	327	-4%	316	7%	338
EBIT	285	-12%	252	7%	269	7%	287
EBIT margin	11.4%	N.M.	9.8%	N.M.	10.3%	N.M.	10.6%
Financial results	(25)	-23%	(19)	49%	(29)	5%	(30)
Equity method	0	0%	1	0%	0	0%	0
Pre-tax profits	261	-10%	234	3%	241	7%	257
Taxes	63	0%	46	0%	53	0%	57
Minority interests	(2)	0%	1	0%	1	0%	1
Net profit	196	-4%	189	0%	189	7%	201
EPS	1.19	-4%	1.15	0%	1.15	7%	1.23

Source: Indra, CA Cheuvreux

As regards sales breakdown by vertical, our main estimates are the following:

INDRA: REVENUE BREAKDOWN BY ACTIVITY 2009-12E

(EUR m, %)	2009	%10/09	2010	%11/10	2011E	%12/11	2012E
Consolidated Revenues	2 513.3	1.7%	2 557.0	2.0%	2 608.5	3.5%	2 699.9
o/w Transport and Traffic	497.6	11.5%	554.8	6.0%	588.1	6.0%	623.4
o/w Telecoms and Media	270.2	18.9%	321.3	11.7%	358.9	8.0%	387.6
o/w Public Admin / Healthcare	347.5	2.6%	356.6	3.9%	370.5	0.0%	370.5
o/w Finance and Insurance	334.4	10.0%	367.7	8.8%	400.1	5.5%	422.1
o/w Energy and Industry	381.6	-5.0%	362.7	-1.4%	357.6	1.5%	363.0
o/w Defence (IT+Systems)	682.0	-12.9%	593.9	-10.2%	533.3	0.0%	533.3

Source: CA Cheuvreux

**Highest growth
contributor in 11-12E**

- Traffic & Transport: we look for c.a. 6% revenue growth p.a. in 2011-12E, a certain slowdown following very strong years.
- Telecoms & Media: sales within this vertical should grow by 11.7% y-o-y in 2011E, thanks to the ramp-up of contracts such as Prisa, coupled with others signed with Telefonica.
- Public Administrations: in our view, although a reduced number of suppliers should in theory benefit Indra, contracts will be downsized in 2011E, hence sales to come down 1.7% this year (+3.9% y-o-y adjusted by sales from balloting systems).
- Finance & Insurance: +8.8% y-o-y in 2011, +5.5% in 2012E.
- Industry & Energy: weakness expected to continue in 2011-12E. We estimate 1.4% sales decline in 2011E, with a slight recovery in 2012E (+1.5%).

Spain weight down to 57% in 2012E

- Defence: we expect continued pressure in this vertical, and look for 10.2% annual decrease in 2011E (Spanish budget cuts and Eurofighter).

In terms of geographical breakdown, we expect Spain to move from accounting for 64% of total sales at the end of 2009 to 57% by 2012E. We expect LatAm and others to be the main growth drivers among foreign markets.

INDRA: REVENUES GEOGRAPHIC BREAKDOWN 2009-12E

(EUR m, %)	2009	%10/09	2010	%11/10	2011E	%12/11	2012E
Domestic market	1 613.0	-2.9%	1 566.2	-2.0%	1 534.9	1.0%	1 550.2
weight	64%	n.m.	61%	n.m.	59%	n.m.	57%
International markets	900.2	10.1%	990.8	8.4%	1073.6	7.1%	1149.6
o/w Europe	448.5	-5.2%	425.2	-5.0%	403.9	1.0%	408.0
o/w US	31.6	-9.8%	28.5	3.0%	29.4	1.0%	29.6
o/w LatAm	264.0	40.7%	371.5	20.0%	445.8	10.0%	490.4
o/w Other	156.1	6.1%	165.6	17.5%	194.5	13.9%	221.6
Total Sales	2 513.2	1.7%	2 557.0	2.0%	2 608.5	3.5%	2 699.9

Source: Indra, CA Cheuvreux

Positive FCF in 2012E

In terms of FCF generation, we look for net debt to continue increasing in 2011E (EUR67m) before staying flat y-o-y in 2012E. Though we see no major risk of the company lowering the dividend or share buyback programs, we would not rule it out in the event that M&A became a greater priority.

INDRA: CASH FLOW STATEMENT 2009-12E

CASH FLOW STATEMENT	2 009	2 010	2011E	2012E
Net profit before minorities	198.0	187.9	188.0	200.7
Depreciation	42.0	42.1	46.3	50.8
Minorities	(0.2)	(0.9)	0.0	0.0
Other	12.5	(5.6)	(12.5)	(12.5)
Total operating cash flow	252.3	223.6	221.7	239.0
Working capital	(49.7)	(105.9)	(54.4)	1.8
CAPEX	(79.8)	(89.0)	(85.0)	(85.0)
Financial investments	(20.2)	(49.3)	(15.0)	(15.0)
FCF before dividends & buybacks	102.6	(20.7)	67.3	140.8
Buybacks & other	11.3	(12.4)	(5.0)	(5.0)
Dividends	(99.0)	(107.6)	(115.0)	(115.0)
Decr. (incr.) in net debt	14.9	(140.6)	(52.6)	20.7
CF conversion	4.9%	1.1%	3.2%	5.8%

Source: Indra, CA Cheuvreux

Cheuvreux Tool Kit

[Our DCF Valuation](#)

[Environmental, Social & Governance Issues](#)

Our DCF Valuation

WACC

Risk-free rate	5.5%
Risk premium	4.0%
Beta	1.00
Cost of equity	9.5%
Gearing in market value	12.7%
Credit spread	1.5%
Cost of debt	7.0%
Tax rate	30.0%
WACC	9.0%

IMPLICIT BETA AND WACC AT THE CURRENT SHARE PRICE

Implicit Beta	1.10
Implicit WACC	8.8%

DCF SUMMARY

(EUR m)	2010	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E
EBITDA	294	319	344	371	372	384	412	422	431
Tax on EBITA	(49)	(59)	(63)	(67)	(68)	(70)	(76)	(78)	(79)
Change in WCR	(106)	(57)	0	11	(20)	(15)	(15)	(15)	(15)
Capex	(89)	(85)	(85)	(85)	(74)	(77)	(79)	(81)	(83)
Financial investments	(49)	(15)	(15)	(15)	(15)	(15)	(15)	(15)	(15)
Disposals	0	0	0	0	0	0	0	0	0
Operating FCF	0	103	181	216	195	207	227	233	239
Discounted free cash flow	0	95	154	169	141	138	139	132	124

(EUR m)	FCF growth	DCF value	% EV	x/EBITDA	x/EBITA
Years 1-8	+50.4%	991	41.0%		
Terminal value	+1.5%	1 606	59.0%	7.9	9.1
Enterprise value		2 597	100.0%	8.8	11.1

DCF VALUE

Enterprise value	2 597
Financial assets and associates	(69)
Pension provisions	0
Other provisions	0
Net financial debt	(328)
Minority interests	0
Dilution	0
Shareholders' equity	2 217
/ Number of shares (m)	164
/ Potential number of new shares (m)	0.00
Per Share, fully diluted (EUR)	13.51
Last Price (EUR)	13.97



Environmental, Social & Governance Issues

■ CORPORATE GOVERNANCE DETAILS

1. Does the company have a combined chair/CEO?	No
2. Percent Independent Directors	46.6%
3. Does the company disclose its corporate governance policies or guidelines?	Yes
4. Do all executive board members own shares after excluding options held?	Yes
5. Is the company currently under investigation for accounting irregularities?	No
6. Do all common or ordinary equity shares have one-share, one-vote, with no restrictions?	Yes
7. Do shareholders have a right to convene an EGM with 10% or less of the shares requesting one?	Yes
8. Do shareowners have a right to act in concert through written communication?	Yes
9. Potential Dilution from Stock Options Outstanding + Not Yet Granted Under Old or New Plans	0.00%
10. Is there a single shareholder or shareholder group which controls a majority of the voting power of the company?	No
11. Has the company adopted a shareholder rights plan ("poison pill")?	No
12. Disclosure on CEO remuneration details (amount detailed if disclosed)	

The information contained in this table is written and presented under the sole responsibility of GMI. CA Cheuvreux does not accept any responsibility for any loss which may arise from reliance on information contained in this table

Source: GMI

Indra

FY to 31/12 (Euro m)	2004	2005	2006	2007	2008	2009	2010	2011E	2012E
Profit & Loss Account									
Sales	870.3	1 202.2	1 406.8	2 167.6	2 379.6	2 513.3	2 557.0	2 608.6	2 702.7
% Change	-11.3%	38.1%	17.0%	54.1%	9.8%	5.6%	1.7%	2.0%	3.6%
Staff costs	(316.6)	(352.0)	(458.9)	(856.9)	(941.1)	(1 006.9)	(1 047.6)	(1 079.0)	(1 111.4)
Other costs	(628.4)	(690.4)	(763.5)	(1 053.8)	(1 130.3)	(1 179.0)	(1 215.5)	(1 210.6)	(1 247.3)
EBITDA	(74.7)	159.8	184.4	256.9	308.2	327.4	294.0	319.0	344.1
% Change	NS	NS	15.4%	39.3%	20.0%	6.2%	-10.2%	8.5%	7.9%
Depreciation	(19.5)	(17.5)	(20.8)	(33.4)	(37.7)	(42.0)	(42.1)	(50.6)	(59.1)
EBITA	(94.2)	142.3	163.6	223.5	270.5	285.4	251.9	268.4	284.9
% Change	NS	NS	15.0%	36.6%	21.0%	5.5%	-11.8%	6.6%	6.2%
Goodwill amortisation before OP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill amortisation [impairment test]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non recurring operational items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	(94.2)	142.3	163.6	223.5	270.5	285.4	251.9	268.4	284.9
Net financial items	4.4	4.5	(1.4)	(12.7)	(22.9)	(24.9)	(19.1)	(29.1)	(31.8)
Non recurring financial items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other exceptional items	(5.6)	(0.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(22.8)	(37.9)	(44.2)	(57.4)	(65.0)	(62.7)	(45.7)	(52.6)	(55.7)
Associates [contribution]	(6.3)	(0.8)	0.0	0.0	3.5	0.2	0.9	0.0	0.0
Discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit [loss] before minorities	(124.5)	107.4	118.0	154.8	186.1	198.0	187.9	186.6	197.5
Dividend to preferred shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	(4.5)	(3.4)	(3.8)	(7.0)	(3.7)	(2.4)	0.6	0.6	0.6
Net attributable profit [loss]	(129.0)	104.0	114.2	147.8	182.4	195.6	188.5	187.2	198.1
Restatement [impairment test]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adj. for exceptional items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net attrib. profit [loss], restated	(129.0)	104.0	114.2	147.8	182.4	195.6	188.5	187.2	198.1
% Change	NS	180.7%	9.8%	29.5%	23.4%	7.2%	-3.6%	-0.7%	5.8%
Cash Flow Statement									
Cash flow	102.0	124.9	138.8	188.3	220.3	252.3	223.6	217.2	231.6
% Change	-9.6%	22.4%	11.2%	35.6%	17.0%	14.5%	-11.4%	-2.8%	6.6%
Change in WCR	(5.6)	(58.6)	(64.5)	(47.5)	(65.7)	(49.7)	(105.9)	(56.6)	(0.1)
Capex	(14.6)	(17.3)	(38.0)	(72.8)	(61.5)	(79.8)	(89.0)	(85.0)	(85.0)
o/w Growth capex	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash flow	81.8	49.0	36.4	68.0	93.1	122.8	28.7	75.6	146.5
Financial investments	(0.0)	(62.4)	(124.4)	(312.0)	(11.5)	(20.2)	(49.3)	(15.0)	(15.0)
Net buyback of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	(16.4)	(68.0)	(55.4)	(128.0)	(80.0)	(99.0)	(107.6)	(115.0)	(114.2)
Capital increase	0.0	0.0	0.0	280.0	0.0	0.0	0.0	0.0	0.0
Other cash flow	1.1	(55.3)	0.0	170.6	0.0	11.3	0.0	0.0	0.0
Dec. [inc.] in net debt	66.5	(136.7)	(143.4)	78.6	1.6	14.9	(128.2)	(54.4)	17.3
Balance Sheet									
Shareholders' equity [group share]	401.5	283.0	345.7	696.6	782.6	931.8	991.0	1 084.9	1 168.8
Minority interests	35.8	19.7	26.3	42.0	42.2	45.3	23.0	23.0	23.0
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	93.6	68.4	75.1	97.0	107.0	94.4	129.6	129.6	129.6
Net debt [cash]	(205.2)	(54.2)	58.9	150.3	148.7	134.6	274.9	341.7	336.8
Gearing [%]	NS	NS	15.8	20.3	18.0	13.8	27.1	30.8	28.3
Capital invested	325.7	316.9	506.0	985.9	1 080.5	1 206.1	1 418.5	1 579.2	1 658.2
Goodwill	62.9	108.7	184.6	424.3	431.8	440.2	456.3	456.3	456.3
Intangible assets	28.1	38.6	63.2	97.1	119.7	100.5	164.8	231.5	288.1
Tangible assets	67.2	68.4	94.0	131.2	124.1	76.0	93.1	114.8	121.4
Financial assets	113.1	33.8	32.4	37.0	42.9	41.4	50.5	66.1	81.7
Associates	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Working capital requirement	54.4	67.4	131.9	296.3	362.0	548.1	654.0	710.6	710.8
WCR as a % of sales	6.3	5.6	9.4	13.7	15.2	21.8	25.6	27.2	26.3
Capital employed	325.7	316.9	506.0	985.9	1 080.5	1 206.1	1 418.6	1 579.2	1 658.2

Indra

FY to 31/12 (Euro)	2004	2005	2006	2007	2008	2009	2010	2011E	2012E
Per Share Data (at 7/3/2011)									
EPS before goodwill	(0.84)	0.74	0.80	0.93	1.13	1.21	1.17	1.14	1.21
% Change	NS	188.7%	7.6%	16.8%	21.4%	7.3%	-3.6%	-2.3%	5.8%
EPS, reported	(0.84)	0.70	0.78	0.92	1.11	1.19	1.15	1.14	1.21
% Change	NS	183.8%	11.9%	17.0%	21.3%	7.3%	-3.7%	-0.6%	5.8%
Goodwill per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend per share	0.39	0.78	0.50	0.49	0.60	0.66	0.70	0.70	0.74
Cash flow per share	0.66	0.89	0.97	1.19	1.37	1.56	1.39	1.32	1.41
% Change	-13.8%	34.6%	8.9%	22.4%	15.1%	14.5%	-11.4%	-4.5%	6.7%
Book value per share	2.2	1.1	1.8	3.8	4.2	5.0	5.3	5.9	6.4
No. of shares, adjusted	154.400	154.400	148.470	164.130	164.130	164.130	164.130	164.130	164.130
Av. number of shares, adjusted	154.400	148.470	145.870	161.440	164.130	164.130	164.130	164.130	164.130
Treasury stock, adjusted	0.000	8.210	2.600	2.700	2.700	2.700	2.700	0.000	0.000
Share Price [Adjusted]									
Latest price	12.57	16.51	18.61	18.58	16.19	16.46	12.79	13.97	13.97
High	12.88	18.47	19.19	20.85	18.92	18.20	17.30	14.40	-
Low	9.85	12.07	13.92	16.70	12.90	13.25	12.18	12.34	-
Average price	10.92	15.44	16.49	18.74	16.93	15.76	14.17	13.64	-
Market capitalisation	1 940.8	2 451.2	2 763.0	3 001.3	2 613.7	2 701.6	2 098.4	2 292.1	2 292.1
Enterprise value	1 735.6	2 397.0	2 821.9	3 151.6	2 907.0	2 980.8	2 517.9	2 778.4	2 773.5
Valuation									
P/E	NS	22.3	23.3	20.0	14.3	13.6	10.9	12.2	11.6
P/E before goodwill	NS	22.3	23.3	20.0	14.3	13.6	10.9	12.2	11.6
P/CF	19.0	18.5	19.2	15.7	11.9	10.5	9.2	10.6	9.9
Attrib. FCF yield [%]	4.2	2.0	1.3	2.3	3.6	4.5	1.4	3.3	6.4
P/BV	5.7	15.7	10.2	4.9	3.9	3.3	2.4	2.4	2.2
Enterprise value / Op CE	8.2	8.5	6.0	3.3	2.8	2.6	1.8	1.8	1.8
Yield [%]	3.1	4.7	2.7	2.6	3.7	4.0	5.5	5.0	5.3
EV/EBITDA, restated	NS	15.0	15.3	12.3	9.4	9.1	8.6	8.7	8.1
EV/EBITA, restated	NS	16.8	17.2	14.1	10.7	10.4	10.0	10.4	9.7
EV/Sales	1.99	1.99	2.01	1.45	1.22	1.2	1.0	1.1	1.0
EV/Debt-adjusted cash flow	17.6	19.7	20.2	16.0	12.3	11.0	10.5	11.6	10.8
Financial Ratios									
Interest cover	17.0	NS	NS	NS	13.5	13.1	15.4	11.0	10.8
Net debt/Cash flow	NS	NS	0.4	0.8	0.7	0.5	1.2	1.6	1.5
EBITDA margin [%]	NS	13.3	13.1	11.9	13.0	13.0	11.5	12.2	12.7
EBITA margin [%]	NS	11.8	11.6	10.3	11.4	11.4	9.8	10.3	10.5
Net margin [%]	NS	8.9	8.4	7.1	7.8	7.9	7.3	7.2	7.3
Capital turn [Sales/ Op. CE]	4.1	4.2	3.0	2.3	2.3	2.2	1.9	1.7	1.7
Gearing [%]	NS	NS	15.8	20.3	18.0	13.8	27.1	30.8	28.3
Payout ratio [%]	(46.7)	111.4	63.9	53.5	54.0	55.4	61.0	61.4	61.3
Return [%]									
Pre-tax RoCE	NS	50.3	34.5	23.6	26.1	24.5	18.4	17.7	18.1
RoCE after tax	NS	37.2	25.1	17.2	19.3	18.6	14.8	13.8	14.1
ROE [%]	NS	45.0	39.6	23.7	26.4	23.5	21.0	18.9	18.5
Return on equity, restated	NS	45.0	39.6	23.7	26.4	23.5	21.0	18.9	18.5

Important Disclosures

APPLICABLE DISCLOSURE CLAUSES

Company	Closing Price	Rating	Disclosures
Indra	EUR13.97	3/Underperform	E

- A - One or more companies in the Crédit Agricole S.A. group owned more than 1% of the total issued share capital of the Company as of the end of the second most recent month preceding the publication date of this report.
- B - One or more companies in the Crédit Agricole S.A. group owned more than 5% of the total issued share capital of the Company as of the end of the second most recent month preceding the publication date of this report.
- C - The Company owned more than 5% of the total issued share capital of Crédit Agricole SA as of the end of the second most recent month preceding the publication date of this report.
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- J - A director or a board member of the Crédit Agricole S.A. group is an officer, director, or board member of the Company.

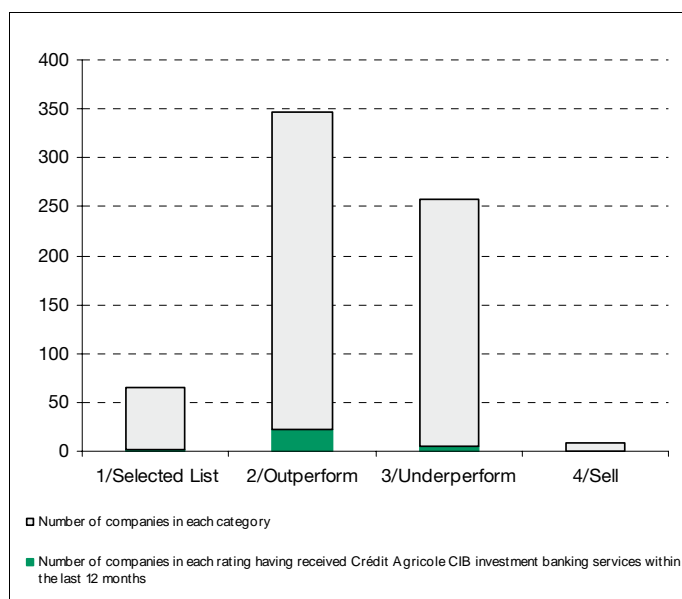
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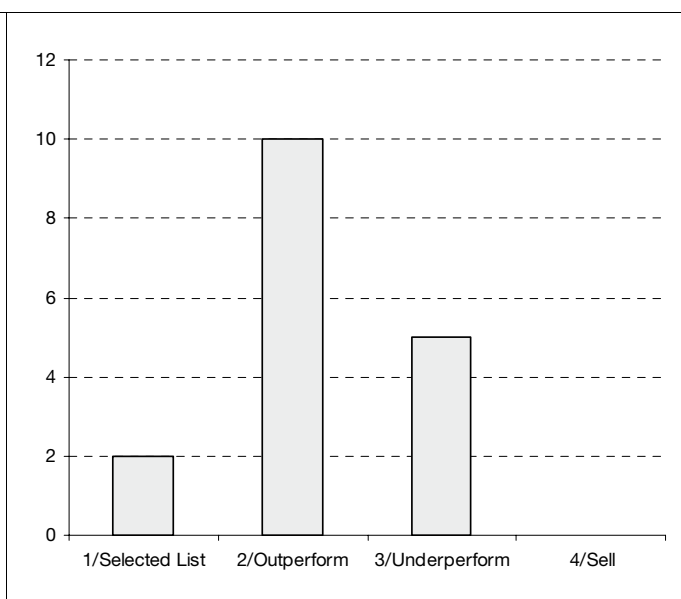
CHEUVREUX'S RATING AND TARGET PRICE SYSTEM

Ratings are built for a 6 to 12 month time horizon.	
1/Selected List	Expected to outperform the market and is in our country selected list
2/Outperform	Expected to outperform the market
3/Underperform	Expected to perform at best in line with the market
4/Sell	Expected to underperform the market substantially
No Rating or Suspended	The investment rating and target price have been suspended. Such suspension is pursuant to Cheuvreux's policy in circumstances when Cheuvreux's parent company, Crédit Agricole CIB, is acting in an advisory capacity in a merger or strategic transaction involving this company or when Calyon or Crédit Agricole has a beneficial interest in this company and in certain other circumstances.
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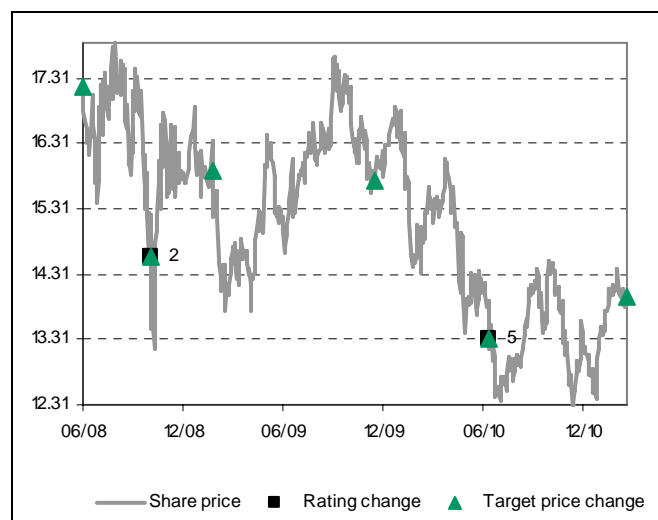
OVERALL RATING BREAKDOWN (AS AT 16/01/2011)



RATING BREAKDOWN IN THE SECTOR (AS AT 16/01/2011)



SHARE PRICE TREND AND DATES OF CHANGES IN RATING AND/OR TARGET PRICE



DATES OF CHANGES IN TARGET PRICE AND/OR RATING

	Date	Rating	Target price
1	19/06/2008		EUR19.10
2	21/10/2008	3/Underperform	EUR16.24
3	10/02/2009		EUR15.70
4	02/12/2009		EUR16.00
5	29/06/2010	Suspended	EUR0.00
6	07/03/2011		EUR13.51

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