

Indra (IDR.MC)

Bottoming Out

BUY

Last (€)	13.98
Valuation Range (€)	16.0-17.5
Market Cap.(€m)	2,293
Av. Daily Vol.(m sh)	0.8
Free Float	59.3%
YTD	9.31%

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- With 60% of its business in Spain and 40% due to Spanish public institutions, the stock has been a small cap play on country risk...
- ... which has translated into a 40-45% de-rating over the last few years.
- After 8-12% earnings downgrades by Consensus over the last 12 months and recent company guidance suggesting stabilisation in the home market and margins reaching bottom, we believe that it may be the time to look at Indra again.
- We have finetuned our 2010-12 numbers, and expect 3.5% CAGR in sales, 6.5% in EBIT and 7% in net profit to 2013E. We are not far from Consensus, but believe that there is room for upgrades.
- For 2011E, our numbers try to be around the minimum levels guided by the company of at least 2% revenue growth. Thus, we have conservatively assumed low single digit contraction in the domestic business against a slight deterioration as per Indra. We are a touch more optimistic on the margin front (10.7% vs. at least 10.5% guided by the company), as we struggle to take the EBIT margin any lower.
- Having rolled over our valuation, we value Indra at €16.0-17.5 per share (up from €15.1-15.2) and upgrade the recommendation to BUY (from HOLD) even if overhang risk (20% by Caja Madrid; 5% by Cajastur) may limit short term upside.

	Sales (€m)	EBITDA (€m)	vs. Cons	Net Profit (€m)	EPS (old) (€)	EPS (new) (€)	vs. Cons	P/E (x)	EV/EBITDA (x)	DPS (€)	DIV Yield
2008	2,380	308	n.a.	183	n.a.	1.11	n.a.	n.a.	n.a.	0.61	n.a.
2009	2,513	327	n.a.	196	n.a.	1.19	n.a.	n.a.	n.a.	0.66	n.a.
2010E	2,562	333	2.4%	189	1.17	1.15	-0.4%	12.2	7.6	0.63	4.5%
2011E	2,616	331	3.4%	198	1.23	1.21	-0.7%	11.5	7.6	0.66	4.7%
2012E	2,706	343	0.4%	209	1.31	1.27	0.9%	11.0	7.1	0.70	5.0%

Est 3 Yr Sales CAGR: 3.2% Shares Outstanding (m): 164.1

Est 3 Yr EPS CAGR: 2.9% Mkt Cap (€m): 2,293

Share price performance	YTD	1 month	3 months	12 months
Absolute	9.31%	3.25%	10.56%	-3.72%
Relative to IBEX	1.35%	3.55%	-0.73%	-7.16%
Relative to MSCI Europe ex - UK Small Cap. Index	9.01%	2.68%	2.53%	-19.8%

IDR: Summarised P&L Account and key ratios

€m	2007	2008	2009	2010E	2011E	2012E
Sales	2,167.6	2,379.6	2,513.2	2,561.9	2,616.4	2,705.8
EBITDA	257.8	308.3	327.4	333.2	331.0	343.0
Depreciation & Amort.	-34.0	-37.7	-42.0	-79.8	-51.7	-54.9
EBIT	223.8	270.6	285.4	253.5	279.3	288.1
Net Int.Cost	-12.7	-22.9	-24.5	-21.9	-27.5	-22.8
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
PBT	212.5	251.2	260.7	231.6	251.8	265.2
Taxes	-57.4	-65.0	-62.7	-44.0	-52.9	-55.7
Minorities	-7.0	-3.7	-2.4	1.0	-0.9	-1.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit	148.1	182.5	195.6	188.5	198.0	208.6
EPS	0.90	1.11	1.19	1.15	1.21	1.27
Sales growth	54.1%	9.8%	5.6%	1.9%	2.1%	3.4%
EBITDA growth	39.8%	19.6%	6.2%	1.8%	-0.7%	3.6%
Net Profit growth	29.7%	23.2%	7.2%	-3.6%	5.0%	5.4%
EBITDA margin	11.9%	13.0%	13.0%	13.0%	12.7%	12.7%
EBIT margin	10.3%	11.4%	11.4%	9.9%	10.7%	10.6%
Net Pr. Margin	6.8%	7.7%	7.8%	7.4%	7.6%	7.7%
Gross Int. Cover (x) (1)	40.0	54.1	71.4	71.6	69.8	72.0

IDR: Summarised Balance Sheet and key ratios

€m	2007	2008	2009	2010E	2011E	2012E
Fixed assets	131.1	139.1	140.4	160.0	161.4	160.7
Goodwill	424.3	431.8	440.2	440.2	440.2	440.2
Inventories	128.2	199.7	197.5	210.6	215.0	222.4
Trade Receivables	1,486.9	1,432.3	1,363.9	1,488.0	1,577.0	1,616.1
Cash + S/T Inv. + other	80.2	96.2	141.2	73.6	75.2	77.1
Total Assets	2,385.5	2,461.7	2,489.5	2,619.6	2,745.5	2,806.7
Sharehold. Equity	696.7	781.4	931.8	1,016.6	1,105.7	1,199.6
L-T Financial Debt	46.5	46.4	101.9	101.9	101.9	81.5
S-T Financial Debt	135.9	125.4	99.6	153.6	152.1	97.9
Trade Payables	1,141.6	1,091.6	1,013.3	1,031.8	1,053.7	1,089.7
Provisions + Other	97.4	66.4	94.3	94.3	94.3	94.3
Total Liabilities	2,385.5	2,461.7	2,489.5	2,620.6	2,747.5	2,809.7
Net Debt	146.3	148.5	135.0	229.9	227.8	152.4
WACC	9.8%	9.8%	9.8%	9.8%	9.8%	9.8%
Net Debt/EBITDA	0.57	0.48	0.41	0.69	0.69	0.44
ROCE (2)	27.9%	22.5%	21.8%	17.9%	17.1%	16.9%
ROE	21.3%	23.4%	21.0%	18.5%	17.9%	17.4%
ROCE/WACC (x)	2.8	2.3	2.2	1.8	1.7	1.7

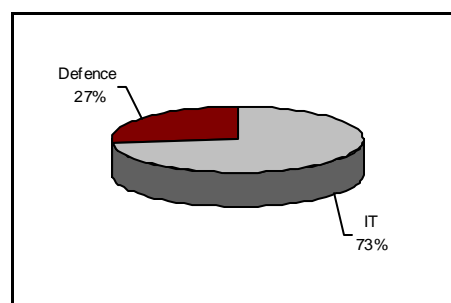
IDR: Simplified Cash Flow Statement and key ratios

€m	2007	2008	2009	2010E	2011E	2012E
Net Profit	148.1	182.5	195.6	188.5	198.0	208.6
+ Depr. & Amortis.	34.0	37.7	42.0	46.8	51.7	54.9
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0
= Operating CF	182.1	220.2	237.6	235.3	249.7	263.5
- Change in Working K	210.4	66.9	30.5	118.7	71.5	10.4
- CAPEX of which:	110.5	84.2	100.5	105.0	80.0	65.0
Expansionary CPX	39.4	19.6	20.0	0.0	0.0	0.0
- Dividends	125.9	80.1	98.7	105.8	102.0	107.1
= FCF	143.2	75.1	110.6	13.6	101.2	191.1
FCF Yld (M.Cp)	n.a.	n.a.	n.a.	0.6%	4.4%	8.3%
FCF Yld (EV)	n.a.	n.a.	n.a.	0.5%	4.0%	7.8%
FCF (3)	308.5	174.8	229.3	119.4	203.2	298.2
FCF Yield (Mkt Cap)	n.a.	n.a.	n.a.	0.6%	4.4%	8.3%
FCF Yield (EV)	n.a.	n.a.	n.a.	0.5%	4.0%	7.8%

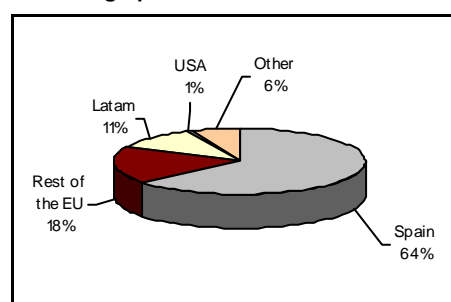
IDR: EV Valuations

€m	2010E	2011E	2012E
+ Mkt Cap	2,293.3	2,293.3	2,293.3
+ Net Debt	229.9	227.8	152.4
- Non-core assets			
+/- Other			
= EV	2,523.2	2,521.1	2,445.7
EV/Sales (x)	1.0	1.0	0.9
EV/EBITDA (x)	7.6	7.6	7.1
EV/EBIT (x)	10.0	9.0	8.5
EV/IC (x)	2.0	1.9	1.8

IDR: Divisional Sales Breakdown



IDR: Geographical Sales Breakdown



Debt Structure (€m)

Total Debt in the B.Sheet	201.5
Short Term	99.6
Long Term: maturing in	101.9
24 months	n.a.
36 months	n.a.
more than 36 months	n.a.
Cost Range	4.50%
Rating (Moody's)	
Short term	n.a.
Long term	n.a.
Estimated Off B/S Liabilities	n.a.

IDR: Share Information

Outstanding no. shares (m)	164.1
Market Cap (€ m)	2,293
Avge daily volume (m sh, last 3 m)	0.8
Free float %	59.3%
Major shareholders	
Caja Madrid	20.0%
Alba	10.0%
Casa Grande de C.	5.7%
Cajastur	5.0%
Management shares option scheme	n.a.
% of Capital	n.a.
Nearest to vest	n.a.

(1) calculated as EBIT/Int. expenses (2) calculated as ROCE after taxes (*) Source: company data and Fidentii's estimates



1. Indra - From shelter to perfect storm

A small cap play on sovereign risk

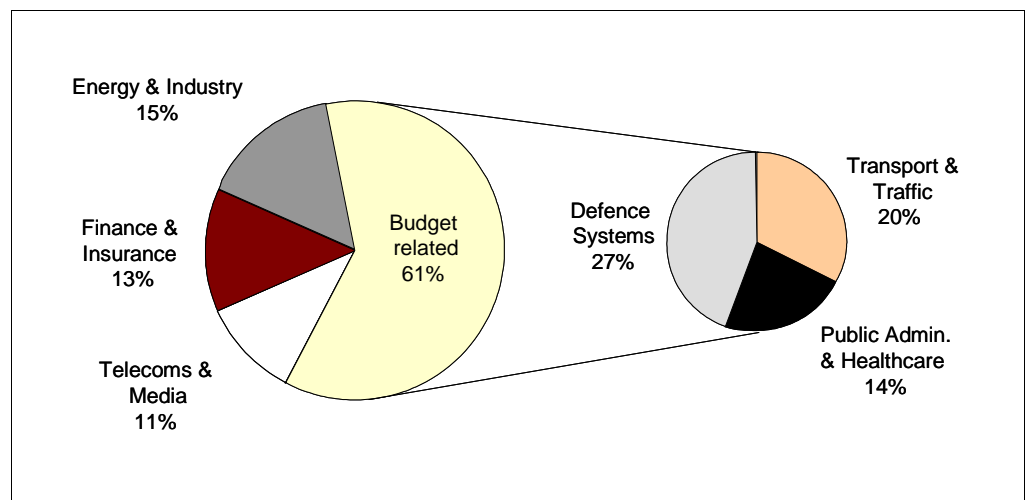
Aside from financial stocks, Indra has offered a play on Spanish sovereign risk (see Figure 1), with 60% of its business in Spain, over 50% of which is due with institutional clients (see Figure 2).

Figure 1: Indra – Share price performance versus Spain’s sovereign risk, 2009 to date



Source: Bloomberg

Figure 2: Indra – Divisional breakdown



Source: Company data

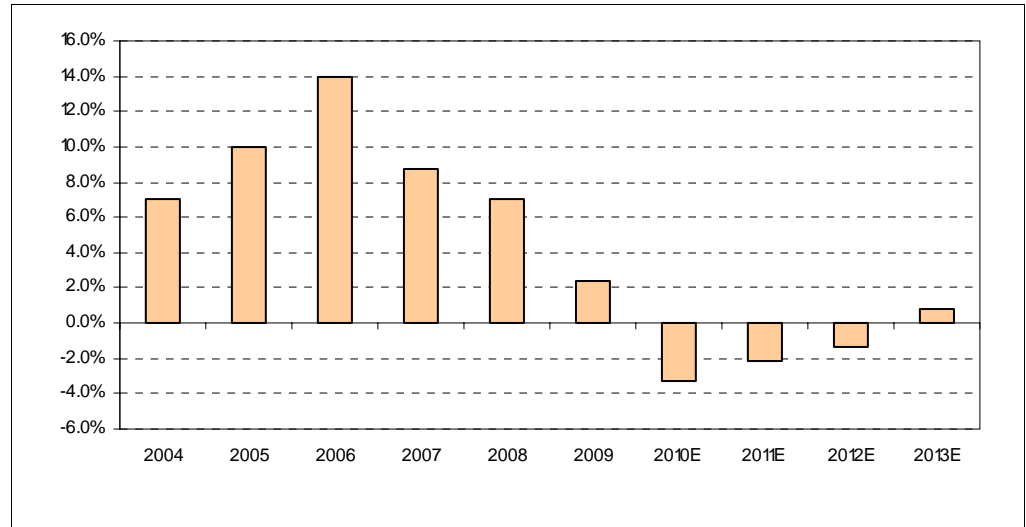
2010 showed the first ever contraction in the domestic business

For a stock where above average growth and visibility have been two key pillars in the equity story, 2010 has been some kind of annus horribilis:

- Revenue growth was downgraded at the release of the 1H10 results to the low end of the 2-4% guided by the company in mid January due to greater than expected weakness in the Spanish business (mainly defence). Even if modest, and more a fine tuning than a downgrade, this was the first time that Indra failed to meet/surpass the top end of its guidance since coming to the market in 1999, and a major change over the historically solid domestic growth (see Figure 3).



Figure 3: Indra – Domestic growth, 2004-2013E



Source: Company data and Fidentiis' estimates

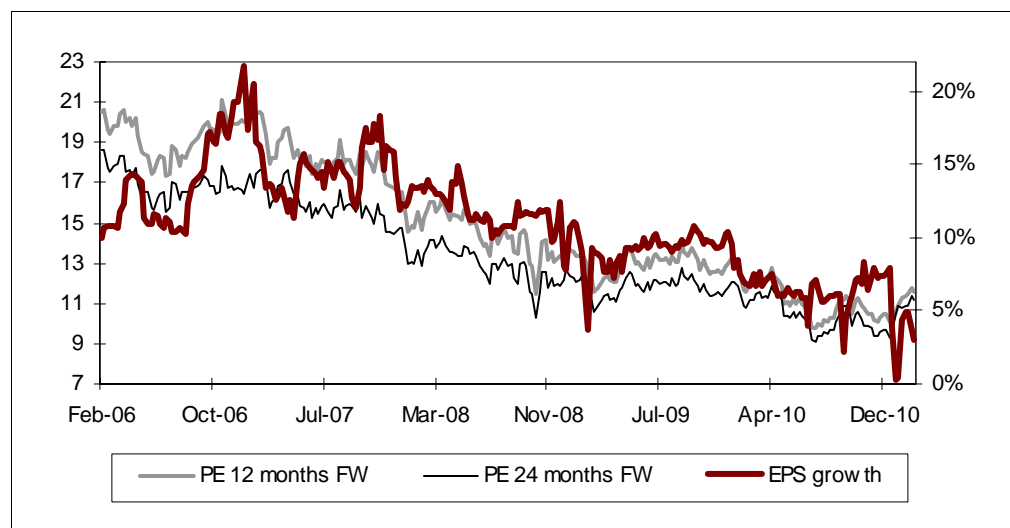
- Greater than expected margin pressure, with an EBIT margin pre-restructuring charges of 11.2%, 20 bps lower than that of 2009 against company guidance of flattish margins. As with the revenue growth, we agree with Indra that the name of the game is more finetuning rather than downgrades, but the market was supposed to pay for visibility, and visibility happened to be lower than it used to.

2. Indra – Time to revisit the equity story

40-45% derating...

Having de rated by 40-45% over the last few years (see Figure 4) and after 8-12% downwards earning revisions over the last 12 months, we believe that it could be time to look at Indra again.

Figure 4: Indra - 12 & 24 months fw PE vs 1 yr fw earnings growth (Consensus)



Source: FactSet

...but some light at the end of the tunnel

We would expect newsflow and earnings growth to improve based on the following:

- Moderation in the contraction of the Spanish business.** Accounting for 60% of group revenues, the stabilisation of Indra's domestic business is key for earnings growth to return to mid-high single digit levels. As announced last month, the Spanish business is expected to decline by 3% in 2010FY, well below the 4.5% reported at the 9M10 stage and better than our initial expectations of a 3.5% contraction. Looking into 2011E, company guidance of at least 2% revenue growth factors in only a slight contraction of the Spanish operations. Visibility beyond 2011 is very scarce, but it seems easy to paint stability in the context of better macro prospects and better balanced public accounts (see Figure 5). Moreover, this should help to ease pressure on working capital, whose deterioration (from 80 to 90-100 days in the last three years) has been due to a reduction in up-front payments from the defence business (45% exposed to Spain, and 12% down at 9M10) and longer payment periods by Spanish public institutions.

Figure 5: Spain - Macroeconomic forecasts

(%)	2010E	2011E	2012E	2013E	2014E
GDP	-0.2	0.6	1.3	1.5	1.9
Public deficit/GDP	-9.1	-6.8	-5.3	-3.7	-2.1
Public debt/GDP	62.5	66.9	70.7	75.7	75.9

Source: AFI

Strong order intake should continue to fuel international operations

- The continuation of strong growth in international operations.** As one can see in Figure 6, Indra has remained active in the international front, with remarkable first in-roads in air traffic management in the Middle East; the signing of an €85m contract in Oman in February 2010, was followed by another one in Kuwait a few months later. This, we think, is very important for the expansion of one of Indra's areas of expertise (air traffic management) in a region where air traffic grows above average. Moreover, in the Far



East, Indra has continued to strengthen its position with the successful bidding for secondary radars in China and air traffic management in India. Both contracts are particularly meaningful as they leave Indra well positioned to benefit from the on-going modernisation of these countries' air traffic control systems.

Figure 6: Indra - International order book: Main 2010 awards

	Brief description	Amount (€m)	Execution period
Oman	Air traffic management	85	38 months
Kuwait	Air traffic management	20	n.a.
China and India	Secondary radars and air traffic control	41	Over 30 months
Malaysia	Contact-less train ticketing	26.7	15 months
Lithuania	Railway traffic management	21.4	n.a.
Peru *	BPO of water services in Lima	58	3 years
UK	Transport helicopter simulation in Aberdeen	n.a.	n.a.
China	Two A-320 simulators for Hainan Airlines	n.a.	n.a.

Source: Company data (*) with a partner

Looking into 2011, the international order in-take looks promising, particularly if some contracts with which the press has been speculating materialize.

- In **Brazil**, Indra is believed to be about to sign a €100m outsourcing contract of the back-office operations of Caixa Econômica Federal de Brasil, one of the country's five largest financial institutions, worth some €100m. Speculation on the signing of this contract has been around for almost a year, as Tata group, also shortlisted for this contract, had apparently appealed the award to Indra. We would highlight that this contract would mean the first in-roads for Indra with a local financial institution in Brazil, LatAm's largest IT market, but where Indra's footprint is underweight due to historical reasons and the lack of suitable M&A opportunities.
- In **Saudi Arabia**, as part of the Spanish consortium, Indra is bidding for the control centres of the Mecca-Medina railways, a contract that is believed to be worth some €300m.

Above average growth in lower margin services should continue but slowdown

- **A slowdown in the switch from solutions into services.** Aside from some pricing pressure, Indra's EBIT margin erosion is partly to be blamed on a change in the business mix. Fuelled by the economic crisis, there has been a switch from higher margin solutions into lower margin services. Even if not separately split, we believe that the margin gap at the EBIT level between the two divisions could be as much as 5pp.

The order-intake (see Figure 7) suggests that the switch will continue, at least in the short-term, and company guidance is consistent with this. As per Indra, margin pressure should accelerate in 2011, with up to 70bps contraction at the EBIT level vs. 20bps in 2010.

Figure 7: Indra - Order in-take as of September 2010 (Euro million)

	9M10	% change
Order intake	2,112	8.4%
Services	698	27.7%
Solutions	1,414	0.9%

Source: Company data

In our view, in the context of an improving macro scenario (even if still stagnant) and after the €33m of restructuring charges in 2010 (twice the initial figure), the 10.5% EBIT margin suggested by Indra for 2011 should be seen as a floor.

3. Indra - 3.5% 2010-13E CAGR in sales and 7% in net profit

We have adjusted our estimates to account for greater than expected restructuring charges in 2010 (€33m versus €16m formerly) and company guidance for 2011, which has a modest knock-on negative effect on our 2012E projections (see Figure 8).

Figure 8: Indra – Fidentiis' projection, 2010-12E (Euro million)

	2010E		2011E		2012E		2013E	
	Former	New	Former	New	Former	New	Former	New
Sales	2,562.10	2,561.9	2,652.90	2,616	2,757	2,706	n.a.	2,838
% revision		0.0%		-1.4%		-1.9%		
EBIT Pre – restructuring	285.7	286.5	289.8	279.3	302	288.1	n.a.	305.7
% revision		0.3%		-3.6%		-4.5%		
EBIT Post- restructuring	269.7	253.5	289.8	279.3	302	288.1	n.a.	305.7
% revision		-6.0%		-3.6%		-4.5%		
Net profit	192.2	188.5	202	198.0	214	208.6	n.a.	230.4
% revision		-1.9%		-2.0%		-2.7%		

Source: Fidentiis' estimates

Our forecasts are based on conservative assumptions...

Our new numbers are largely around Consensus, and are based on the following key assumptions:

- **Conservative revenue projections.** As shown in Figure 9, for the sake of being conservative, our 2011E projections are meant to be around the minimum 2% revenue growth that Indra has guided towards. As one can see, we forecast low single digit falls in the domestic market for this year, which compares with company guidance of no more than a slight contraction. Moreover, we continue to assume further weakness in 2012E.

Figure 9: Indra – Revenue growth by region, 2007-13E

	2007	2008	2009	2010E	2011E	2012E	2013E
Spain	11.0%	9.8%	5.6%	1.9%	2.1%	3.4%	4.9%
Institutional	9%	7.0%	2.9%	-3.4%	-2.2%	-1.3%	0.9%
Commercial	7.5%	n.a.	n.a.	-3.7%	-2.0%	-1.5%	0.1%
International	10.5%	n.a.	n.a.	-2.9%	-2.5%	-1.0%	2.0%
International	16.0%	16.0%	10.8%	9.8%	8.0%	9.7%	10.3%

Source: Company data and Fidentiis' estimates

- **A touch lower than expected margin erosion,** as we anticipate the EBIT margin to stay at 10.7% in 2011E and trough in 2012E at 10.6%, a bit ahead of the 10.5% minimum suggested by Indra in its 2011 guidance. We even believe that there could be room for outperformance due to:
 1. **Excellence in project management and mass fixed pricing.** Company guidance is already remarkable, suggesting less than 100bps erosion in the EBIT margin over the cycle. However, we believe that Indra's excellence in project management should allow them to offer some extra protection, particularly after the restructuring charges carried out in 2010
 2. **Some slowdown in the increase in the weight of services against solutions.** As one can see in Figure 10, we expect the rise in the weight of services versus solutions to come to an end in 2012E. According to our estimates, each percentage point increase in the weight of services over Indra's total business takes 5bps away from the EBIT margin.

Figure 10: Indra – Solutions vs Services, 2009-13E

	2009	2010E	2011E	2012E	2013E
Solutions/sales	74%	72%	68%	66%	67%
Services/sales	26%	28%	32%	34%	33%

Source: Company data and Fidentiis' estimates

3. **Productivity improvements at its software labs.** The recently adopted so called I+D Origin program is aimed at improving the quality and productivity of Indra's 20 software labs across the world by enhancing their integration, trying to make them work as just one virtual lab. At a cost of €7.3m (accounted for as 2011 opex), we would expect this program to enhance the productivity of 15% of the group's headcount. Indra's software labs are based in Spain, Eastern Europe, LatAm, the Philippines and Australia, and are expected to offer a round the clock service.

Overall, we estimate 3.5% CAGR in sales, 6.5% in EBIT and 7% in net profit to 2013E. An improvement in the top line growth and stability in working capital should translate into strong **FCF generation** of €100-200m pa in 2011-12E (4-8% of FCF yield), in line with that of 2007, when the stock traded between €16.9 and €20.7 per share.

Figure 11: Indra - Summarised Income Statement, 2009-13E

	2009	2010E	2011E	2012E	2013E
Sales	2,513.2	2,561.9	2,616.4	2,705.8	2,837.7
<i>Growth</i>	5.6%	1.9%	2.1%	3.4%	4.9%
EBIT	285.4	253.5	279.3	288.1	305.7
<i>Growth</i>	5.5%	-11.2%	10.2%	3.2%	6.1%
Earnings before taxes	260.7	231.6	251.8	265.2	292.9
<i>Growth</i>	3.8%	-11.2%	8.7%	5.3%	10.4%
Net earnings	195.6	188.5	198.0	208.6	230.4
<i>Growth</i>	7.2%	-3.6%	5.0%	5.4%	10.5%

Source: Company data and Fidentiis' estimates

Is there room for upside?

... and so we find potential upside risk

It is difficult to quantify at this stage, but we believe that our estimates are subject to upside risk in the form of the following:

- **Potential business opportunities on the back of the Spanish financial sector reform,** where sector concentration has already started and should continue. As a reference, the number of savings banks, roughly 50% of the sector, has come down from over 40 to less than 20 in the last year. Moreover, a recent Royal Decree establishes strict capital requirements (10% core capital ratio) that would force the sale of some of these institutions. Some Spanish banks have already shown interest (e.g. Santander), which could eventually translate into systems integration workload for Indra.

Financials account for 15% of Indra's revenues, 80% of which (some €290m in 2009) is domestic, mainly banks (with a heavy weighting of the two large ones, Santander and BBVA) and insurance companies, as Indra's presence among the savings banks is scarce.

- **Potential business opportunities should M&A by Spanish blue chips resume.** Once again, the world's economic crisis has taken a toll on the historically acquisitive Spanish blue chips, Santander, BBVA and Telefonica, all of them sizeable clients of Indra. Our view is that these three players, which we estimate could jointly account for some 15% of Indra's business, should be long-term winners in the post-crisis world. As has been the case in the past, M&A abroad by these Spanish blue chips should enhance Indra's international growth profile.

4. €16.0-17.5 per share valuation (up from €15.1-15.2). BUY

DCF Analysis: €16.0 per share

Off a 10% WACC, we value Indra at €16/share

Our favourite valuation tool for Indra is a DCF analysis, discounting the relatively visible cash flows at a 10% WACC, which we have upgraded from 9.6% to factor in a 5.5% risk free rate (up from 5%) in the light of current sovereign risk concerns. Assuming a perpetual growth rate of 2%, and rolling over our valuation for next year, our DCF (see Figure 12) suggests a valuation of €16.5 per share.

Figure 12: Indra – DCF analysis

	0%	1%	2%	3%
EBITDA	368	372	376	379
Tax on ebit	-85	-86	-87	-88
Net OCF	283	286	289	291
Net capex ("normalised")	-63	-63	-63	-63
Working capital	-6.6	-6.6	-6.8	-7.0
Free cash flow	214	217	219	222
Terminal value	2,191	2,473	2,826	3,283
DCF MODEL				
Disc. terminal value	1,819	2,053	2,346	2,726
Cummulative value of DCF	491	491	491	491
Enterprise Value (EV)	2,309	2,543	2,837	3,216
Net debt 2010E	-230	-230	-230	-230
Equity value (€/per share)	12.7	14.1	15.9	18.2

Source: Company data and Fidentiis' estimates

Long term growth rate: €17.5 per share valuation

The shares seem to discount -5% long-term growth

Another variation of the DCF analysis is to value Indra doing a long-term (10 year over the projected period) earnings growth analysis on the assumption that EPS in IT is a cash flow proxy.

We use only a touch higher discount rate (the cost of equity and the WACC at Indra are very similar), assume 2% long-term (2014-2020) earnings growth and an 11x exit PE, in line with that of Indra's peers in 2012E. This suggests a valuation of €17.5 per share.

Trying to assess the downside, the **current share price seems to discount either -5% long term earning growth** (on 11x exit PE) **or 5.5x exit PE** (half the sector average).

Market multiples and peer comparison

Our approach to Indra's valuation has always tried to avoid peer comparison as much as possible due to the IT sector's share price volatility and Indra's peculiar characteristics (for good and bad).

In any case, for the sake of comparison, Figure 13 shows Indra trading at an 8-30% discount to the peer group. We agree that the 30% premium at which it used to trade in the past is no longer a reference (just as it looks unreasonable to expect Spanish economic growth to go back to the rates seen in the last two decades to 2007). However, we understand that the company has shown relatively good resilience to a stress scenario in the domestic business (adverse macro conditions and tightening public accounts), both in terms of revenue growth (modest but still positive) and margin contraction (less than 1pp over the cycle). Moreover, visibility remains well above sector average.

**Figure 13: Indra – Peer comparison, 2010-12E**

	P/E 2010	P/E 2011	P/E 2012	Div Yield 2010
Cap Gemini SA	21.0 x	16.9 x	14.4 x	2.33%
Atos Origin SA	14.7 x	12.8 x	10.5 x	1.17%
TietoEnator Oyj	13.2 x	11.3 x	10.4 x	4.99%
Software AG	18.4 x	16.3 x	14.4 x	1.18%
Logica	12.0 x	11.1 x	10.2 x	2.72%
SAP AG	19.6 x	16.4 x	14.5 x	1.35%
Altran technologies SA	27.9 x	15.2 x	10.9 x	0.00%
Indra Sistemas SA	12.1 x	11.6 x	11.0 x	4.51%
Premium (discount) to average ex SAP	-32%	-19%	-8%	

Source: FactSet and Fidentiis' estimates

**Overhang risk may
cap short term upside
in the shares**

Overhang risk is sizeable with the 20% stake of Caja Madrid and the 5% of Cajastur being 45 days of average daily volume. At the risk of being early, however, we upgrade Indra on fundamentals; **€16.0-17.5 per share valuation** (up from €15.1-15.2) and a **BUY** recommendation (from HOLD). Moreover, as shown in Figure 1, as a small cap play on country risk, the shares should react positively to a potential reduction in sovereign risk.



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Guide to fundamental research

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