

5th August 2015

Technology

Indra Sistemas

Price EUR9.81

Pre-agreement with the unions: fewer redundancies than initially planned

Fair Value EUR9.2 (-6%)

SELL

Bloomberg	IDR SM
Reuters	IDR.MC
12-month High / Low (EUR)	11.9 / 7.6
Market Cap (EURm)	1,610
Avg. 6m daily volume (000)	1 742

	1 M	3 M	6 M	31/12/14
Absolute perf.	8.9%	-8.4%	8.3%	21.6%
Softw.& Comp.				
SVS	6.0%	1.1%	14.6%	19.6%
DJ Stoxx 600	4.0%	0.5%	7.2%	16.4%

	2014	2015e	2016e	2017e
P/E	17.8x	NS	17.5x	10.6x
Div yield (%)	NM	NM	NM	NM

ANALYSIS

- **Fewer job cuts than initially planned.** Yesterday Indra and the majority of the legal representation of employees have reached a pre-agreement that concludes the negotiation process started a month ago for the procedure of collective redundancies. This pre-agreement includes, among other things, the termination of a maximum 1,750 jobs up to 31st December 2016. All the related costs will be assumed by the company. Initially, the management proposed the termination of 1,850 contracts for Spain.
- **Related cost savings target unchanged.** In the press release, management also indicates the execution of the plan in Latin America (1,000 job cuts, essentially in Brazil) started already in Q2 15, while the implementation of the plan in Spain is expected to be concentrated throughout Q4 15, with a portion pending to be finalised in 2016. As such, the majority of associated annual savings of the plan (EUR120m) will be seen in the P&L during 2016.

VALUATION

- Indra's shares are trading at est. 29.8x 2015 and 14.0x 2016 EV/EBIT multiples.
- Net debt on 30th June 2015 was EUR824.5m (net gearing: 162%).

NEXT CATALYSTS

Q3 15 results in November.

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Distribution of stock ratings

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