



# RESULTS

# 1Q14

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**indra**

# 1. INTRODUCTION

- The evolution of business conditions in the first quarter of the year has followed the trend seen at the end of last year:
  - An improvement of the macro perspectives for the Spanish market, which are expected to gradually impact the real economy.
  - A strong activity in the Latam market, which has been affected by severe depreciation in some currencies.
- In this context, **revenues** reached €728m, **growing +6% in local currency** (and would have grown by +8% excluding the Services business divested in 2013 <sup>(1)</sup>). In reported terms (in euros) revenues have reached a level similar to last year's, impacted mainly by the Latam currencies depreciation.
- **Revenues** performance by **geographic area** was the following:
  - Spain (39% of total): -10% reported
  - Latam (27% of total): +24% in local currency (+4% reported)
  - Europe & North America (20% of total): +2% in local currency (+1% reported)
  - AMEA (14% of total): +32% in local currency (+28% reported)

Revenues are expected to decline in Spain for 2014. However, the rate of decline is expected to improve through the year, and thus the full year decline will be smaller than the one shown in the first quarter.

Latam has maintained a relevant growth rate in local currency (+24%), although it will not be as significant in the next quarters.

Solid performance in AMEA, supported by sizable projects in different markets in Middle East, and Southeast Asia, especially in the first half of the year.

- **Solutions** (64% of total) revenues have increased by **+7% in local currency** (+2% in reported figures), thanks mainly to the positive performance in Latam and AMEA.
- **Services** (36% of total) revenues have increased by **+4% in local currency** (-4% reported, being affected by the depreciation of the Latam currencies), with Spain posting the highest growth rate.
- The **vertical markets** of Public Administration & Healthcare (+29%) and Financial Services (+10%) showed double digit revenue growth rate, being positive for Transport & Traffic (+4%) and Security & Defence (+1%), and negative for Energy & Industry (-4%) and Telecom & Media (-6%), impacted by the weak performance of the Spanish market.

(1) The advanced management business of digital documentation in Spain and Mexico. Revenues in 2013 of this activity reached €19m of which €11m were in 1Q13. Order Intake totals €19m in 2013 of which €17m were in 1Q13

- **Order intake is 44% above revenues** (as a number of annual contracts are renewed, as usual, in the first quarter), growing +6% in local currency (posting a small decline of -1% in reported terms, which would have been flat once adjusted by the divestment of the business mentioned above)
  - Order Intake in local currency in Latam, AMEA, and Europe & North America grew at double digit rate (+14%, +17% and +10% respectively).
  - Order intake in the Spanish market has declined by -4%.
- **Order backlog** amounts to **€3.704m** (+2% in local currency, -2% reported) and represents 1,27x LTM revenues.
- **Recurrent EBIT** totals **€56m** (-2%) and **recurrent EBIT margin** reaches **7.7%**, slightly below (-0.2 pp) the first quarter of last year. Profitability continues to be pressed in Spain in the Services business while Solutions' profitability decreases slightly due to the mix.
- The plan to adequate costs and increase the efficiency of Indra's resources, that will continue in 2014 concentrating in the first quarters, implied **extraordinary costs** of €5m in the quarter.
- **Recurrent net profit** (before extraordinary costs) grew +9%, while Net profit increased by +18%.
- **Net working capital** stood at **103 days of equivalent sales** (DoS), reflecting the extraordinary collection from the execution in the quarter of the plan to regularise pending payments to suppliers (up to May 2013) by Spanish Public Administrations representing €40m (around 5 DoS). It is expected that Net working capital (in DoS) will increase in the second and third quarter and will sequentially decrease in the fourth quarter.
- **Net capex** (tangible and intangible) amounts to €9m. **Net financial investments** amount to €5m, mainly due to the payment of several contingencies in Brazil, which are considered to be payments against the price for Politec.
- **Free cash flow** <sup>(2)</sup> during the period has reached €21m vs €18m in 1Q13.
- **Net debt** at the end of the quarter reached **€607m** (€622m at the end of 2013), a leverage level of 2.2x recurrent LTM EBITDA.
- In March the company made public the decision of the Board of Directors to propose to the next AGM to be held in June the payment of an **ordinary dividend of €0.34 per share** against 2013 results -equivalent to a 48% pay-out ratio and a dividend yield of 2.8% on the shares closing price for 2013 (€12.155)-. Payment of the dividend is expected for early July.

<sup>(2)</sup> Free cash flow is defined as cash generated before dividend payment, net financial investments and similar payments, and investment in treasury stock

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## **EXPECTED PERFORMANCE FOR 2014**

Indra's activity in the first quarter of the year has evolved according to expectations, and thus the company expects that its activities for the rest of the exercise will evolve according to its forecasts, and that it will reach its **target to generate free cash flow above €100m** in 2014, laying down the base for progressive growth in the following years.

## 2. MAIN FIGURES

INDRA	1Q14 (€M)	1Q13 (€M)	Variation (% Reported/Local Currency)
Order Intake	1,046	1,055	(1) / 6
Revenues	728	728	0 / 6
Backlog	3,704	3,774	(2)
Recurrent Operating Profit (EBIT) <sup>(1)</sup>	56	57	(2)
Recurrent EBIT margin <sup>(1)</sup>	7.7%	7.9%	(0.2) pp
Extraordinary Cost	(5)	(8)	(31)
Net Operating Profit (EBIT)	51	50	2
EBIT margin	7.0%	6.8%	0.2 pp
Recurrent Net Profit <sup>(1)</sup>	36	33	9
Net Profit	31	27	18
Net Debt Position	607	634	(4)
Free Cash Flow	21	18	19

<sup>(1)</sup> Before extraordinary costs

Earnings per Share (according to IFRS)	1Q14 (€)	1Q13 (€)	Variation (%)
Basic EPS	0.1919	0.1629	18
Diluted EPS	0.1807	0.1629	11
Recurrent diluted EPS <sup>(1)</sup>	0.2037	0.1995	2

**Basic EPS** is calculated by dividing net profit by the average number of outstanding shares during the period less the average treasury shares of the period.

**Diluted EPS** is calculated by dividing net profit (adjusted by the impact of the €250m convertible bond issued last October 2013 with a conversion price of €14.29), by the average number of outstanding shares during the period less the average treasury shares of the period, and adding the theoretical new shares to be issued once assuming full conversion of the bond.

The average number of shares used in the calculation of the EPS and dilutive EPS for treasury shares, total number of shares, and theoretical shares to be issued related to the convertible bond, are calculated using daily balances.

At the close of the period, the company held 1,805 treasury shares.

	1Q14	1Q13
Total number of shares	164,132,539	164,132,539
Weighted treasury stock	80,080	61,497
Total shares considered	164,052,459	164,071,042
Total diluted shares considered	181,547,211	164,071,042