

## COMPANY PROFILE:

In 2006, CIB initiated a corporate growth process and a new corporate project, fully focused on Information Technology, aimed at becoming the leader of the Spanish market. For this purpose, the group divested from the washing-machine engine business, which accounted for 50% of the company's sales. Following the acquisition of Getronics Iberica last December'07, the group is one of the main Spanish companies in the ICT sector (with an integrating profile), being among the 10 main companies operating in the Iberian Peninsula.

## STRATEGY:

By businesses, sales are divided into: Consulting (43%), Network and systems integration (36%) and Managed Services (20%). The strategy is focused on creating a purely technological company through the following objectives: **(i) Obtaining a complete supply of products and services** that allows the company to provide integral solutions to its customers (Banking, Health Sector, Govt. Sector). **(ii) Achieving a wide geographical coverage** to cover the SMEs segment. For SMEs geographical proximity is a key factor to make IT decisions. **(iii) Once Getronics acquisition is completed (2009/10), the company will try to strengthen its presence in LatAm** benefiting from its good relationships with the important Spanish companies present in the region, especially in the financial sector. We do not rule out acquisitions taking into account its integrating profile (7 acquisitions between 2006 and 2007), financial capacity (NFD/EBITDAE'09e 1.5x) and consolidation opportunities that could arise in the sector as of 4Q'09 and 1H'10.

## RECENT RESULTS:

**1H'09 Results:** Sales: € 197.34 M (-6.9%), EBITDA: € 11.37 M (+18.6%), EBIT: € 7.95 M (+22.3%) and Net Profit: € 4.87 M (+19.3%). **Far below expectations in revenues, although in line in EBITDA** due to the significant cost cuts. The sharp drop in revenues was justified by the halting of investment decisions, price drops and non-execution of low-profitability projects, which translated, along with the strong overhead cost reduction (-11.7% vs. -40% Iber(e)), in an EBITDA margin above expectations (5.8% vs. 5.4% Iber(e)) due to a 600bps improvement in 2Q'09 vs. 1Q'09).

## KEY FACTORS:

**Its integrating role** in a possible consolidation process as of 4Q'09 and 1H'10 considering its positive financial position (NFD/EBITDAE'09e 1.5x). Execution of the share buy-back plan of up to 10% of the capital (current treasury stock of 0.755%). **Approval of Metrocall Phase II** to provide mobile coverage to Madrid's Underground network, which would imply an additional valuation of € 0.37/sh.

Close price (10/29/09) **€ 2.92 /shr.**

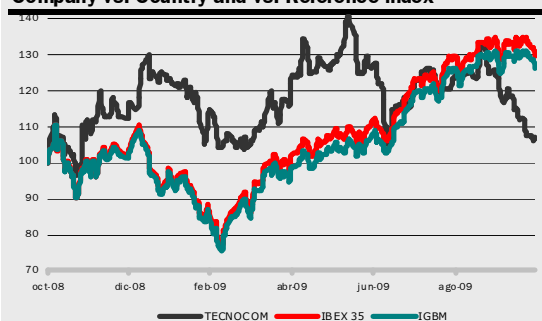
### KEY INFORMATION

<b>Reuters / Bloomberg:</b>	TECM.MC/TEC SM
<b>Market Cap / EV</b>	219 M / 254 M
<b># shares:</b>	75.0 M
<b>12M Max/Min:</b>	3.84/2.64
<b>Rel. Perf. (1, 3, 6 months)</b>	-14.8%/-20.3%/-42.4%
<b>Average volume € M/M shares</b>	0.17/0.05
<b>5 yrs. Beta</b>	0.78
<b>Free-float:</b>	37.2%
<b>Main shareholders</b>	
Caixa Galicia 18,45%; Ladislao Azcona 13,2%; KPN 11,0%; Rafael Naranjo 8,2%; Leonardo Sanchez 6%; L. Solera 6%;	

IBS(e)	2008	2009e	2010e
Sales	433	395	392
YoY %	173.9%	-8.8%	-0.8%
EBITDA	24	23	22
YoY %	181.9%	-4.5%	-4.5%
EBITDA Margin	5.6%	5.9%	5.6%
EBIT	18	17	16
YoY %	251.6%	-9.0%	-6.1%
EBIT Margin	4.2%	4.2%	4.0%
Net Profit	14	11	11
YoY %	98.1%	-23.9%	3.3%
PER SHARE	2008	2009e	2010e
EPS	0.21	0.14	0.15
YoY %	59.6%	-30.9%	3.3%
Adjusted EPS	0.21	0.14	0.15
YoY %	59.6%	-30.9%	3.3%
DPS	0.00	0.00	0.00
YoY %	n.a.	n.a.	n.a.
CFPS	0.27	0.23	0.23
YoY %	90.3%	-14.2%	1.9%
BVPS	2.51	2.42	2.57
RATIOS	2008	2009e	2010e
P/E	13.98x	20.22x	19.58x
Adjusted P/E	13.98x	20.22x	19.58x
PCF	9.91x	12.70x	12.46x
P/BV	1.16x	1.21x	1.14x
ROE	8.3%	6.0%	5.8%
Yield	0.0%	0.0%	0.0%
EV/Sales	0.57x	0.65x	0.59x
EV/EBITDA	10.15x	10.97x	10.36x
EV/EBIT	13.41x	15.23x	14.63x

Source: Ibersecurities

### Company vs. Country and vs. Reference index



## STRENGTHS:

- **Own solutions and products, specialised in vertical markets** (banking, industry and public administrations).
- **Integrating experience** which makes us optimistic regarding the possible integration process that we think the sector will undergo in 2010.
- **Stability in its shareholding structure.** Its reference shareholders represent over 60%, and half of them have been present in the company for over 15 years.

## WEAKNESSES:

- **Highly competitive business with low margins** where the limited geographical diversification and its high link with the financial sector (45% revenues) could have negative effects in 2010.
- **Limited liquidity** with a rotation of <0.2% capital/session with 37% free float.
- **Although the presentation of 1H'09 results** indicated that volumes could have hit a floor, there could be new negative surprises considering the company's strong linking to Spain (90% sales). Also, 2010 will be a complicated year, and possibilities of cutting costs are now reduced.

## OUTLOOK:

The attention will be focused on (i) **Results delivery** after the negative surprise in 1H'09 revenues and considering the low visibility. Despite IDR's targets (between +6% in revenues in 2009) we estimate a 8.8% drop for TEC, considering its defensive business mix with 80% of revenues in services (with higher visibility, greater margin and less cyclical). On the EBITDA level we think that despite the sharp cost cuts (-6.7% in 2009e) the margin will suffer (-200bps to 5.9% Iber(e)), but the key will be 2010, considering the poor macroeconomic outlook for Spain. In the medium-term we estimate a **CAGR'09-12e of +13.8% in EBITDA.** (ii) **Possibility of being granted with Metrocall Phase II:** though there is no specific date, it would mean increasing EBITDA '10e +10% and would add € 0.37/sh. to our valuation. (iii) **Possible acquisitions made** in 4Q'09 or 1H'10 considering its financial capacity and integration experience.

## VALUATION:

We are rolling over our valuation to 2010 and cut 2009 and 2010 estimates to be cautious (-1% in Sales and -5% in EBITDA both years) and we value TEC by DCF (WACC 9.5%; g 2%) at **€ 3.30/sh.** (+13.0% upside vs. € 3.50/sh. previously). We maintain our **SELL** recommendation.

## ADDITIONAL INFORMATION

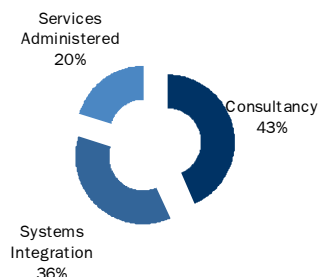
CASH FLOW ANALYSIS *	2008	2009e	2010e	2011e	CAGR 08-11
EBIT x(1-t)	21.6	16.7	15.7	19.8	-2.78%
(+) Depreciations & Provisions	5.9	6.4	6.4	6.4	2.88%
(-) Investments	8.6	5.9	5.8	6.0	-11.20%
(-) Change in Working Capital	30.9	-0.3	-13.3	13.0	-25.12%
(+) Adjusts	0.0	0.0	0.0	0.0	n.a.
(=) Free Cash Flow	-12.1	17.6	29.6	7.2	-184.18%

\* € Millions

NET DEBT POSITION	2008	2009e	2010e	2011e	CAGR 08-11
Equity*	170.9	181.7	192.9	209.7	7.05%
Net Debt *	46.0	33.0	7.0	1.0	-72.09%
Capital Employed *	216.9	214.7	199.9	210.7	-0.97%
Net Financial Gearing	0.3x	0.2x	0.0x	0.0x	

\* € Millions

### SALES BY DIVISION 1H'09



### SALES BY REGION 1H'09

