Intermonte

Milan, 07 August 2025

Italian Equity Research –1H25 Results

TESMEC

OUTPERFORM

Sector: Industrials

Price: Eu0.07 - **Target: Eu0.08**

Solid 1H25 results, both on P&L and net debt reduction

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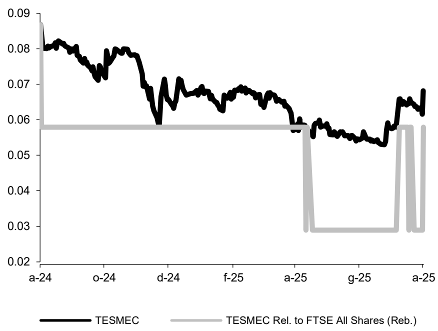
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2025E	**2026E**	**2027E**
Chg in Adj EPS	0.0%	0.0%	

TESMEC - 12M Performance



Stock Data			
Reuters code:			TES.MI
Bloomberg code:			TES IM
Performance	**1M**	**3M**	**12M**
Absolute	17.8%	15.8%	-21.5%
Relative	14.3%	9.3%	-52.7%
12M (H/L)			0.08/0.05
3M Average Volume (th):			2,419.67

Shareholder Data	
No. of Ord shares (mn):	606
Total no. of shares (mn):	606
Mkt Cap Ord (Eu mn):	41
Total Mkt Cap (Eu mn):	41
Mkt Float - Ord (Eu mn):	19
Mkt Float (in %):	46.6%
Main Shareholder:	
TTC	47.8%

Balance Sheet Data	
Book Value (Eu mn):	82
BVPS (Eu):	0.13
P/BV:	0.5
Net Financial Position (Eu mn):	-144
Enterprise Value (Eu mn):	186

- **1H25 results above estimates.** 1H25 results came above our expectations, denoting: sustained top-line growth at +9% (6% above estimate) in 2Q25 vs. 2Q24 PF (excluding Marais) after the +10% growth reported in 1Q25; improving margins (17.3% in 2Q25 vs. 16.6% in 2Q24 PF); and strong cash generation, with net debt stable vs. December 2024 and down Eu18mn vs. March 2025 at Eu146mn. We also note Eu38mn net debt reduction vs. June 2024, half of which due to the deconsolidation of Marais and half driven by working capital reduction and efficiencies. Although we expect some reversal in 2H, this increases visibility on achieving the target of lower net debt vs. 2024 and provides valuation upside (debt de-leverage is a key valuation driver). Top-line and margin trends shown in 1H25 are also supportive.

- **2Q25 driven by strong Energy and Rail**: 2Q25 revenues came to Eu67.2, up 8.6% vs. pro-forma 2Q24 and 6% better than expected (Eu63.2mn). EBITDA of Eu11.7mn (Eu21.2mn in 1H25) grew 14% vs. pro-forma 2Q24 (Eu10.3mn) and was 13% better than expected. The EBITDA margin improved 70bps YoY to 17.3% driven by strong Energy (20.3% EBITDA margin in 2Q25 with sales up 11%) and Rail (21.4% EBITDA margin in 2Q25 with sales up 27%), while Trencher (EBITDA down Eu1.5mn YoY) is the only weak spot. EBIT increased 59% vs. 2Q24 pro-forma to Eu6.4mn (1H25 Eu10.7mn), with the 2Q25 net result positive at Eu0.9mn (1H25 negative at Eu0.5mn including Eu2.8mn in unrealized ForEx losses).

- **FY25 outlook confirmed.** Although quantitative guidance targets were not provided, management confirmed the indications of rising revenues in FY25, with the EBITDA margin continuing to benefit from the sales mix and fixed cost control, and net debt falling YoY thanks to curbing costs. Our unchanged estimates point to FY25 sales of Eu256mn (+7% YoY), EBITDA of Eu44mn (8%), and net debt down slightly YoY to Eu144mn.

- **OUTPERFORM; target Eu0.08.** Despite some weakness in Trencher, the company is executing in line or better than expectations, with supportive trends in energy and Rail. Our DCF-based EV for Tesmec is Eu200mn (4.4x EV/EBITDA 2025E), implying a fair equity value of Eu48mn. Successful execution on debt de-leverage might lead to significant upside vs. depressed equity price, although the risk profile includes the lack of a track record in cash-flow generation. Closing of the transaction with OT Engineering (deconsolidation of Marais debt) was confirmed by year-end.

Key Figures & Ratios	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
Sales (Eu mn)	252	240	256	275	295
EBITDA Adj (Eu mn)	34	41	44	49	53
Net Profit Adj (Eu mn)	-3	0	6	10	13
EPS New Adj (Eu)	-0.005	0.000	0.010	0.016	0.021
EPS Old Adj (Eu)	-0.005	0.000	0.010	0.016	
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	6.9	4.9	4.2	3.8	3.3
EV/EBIT Adj	21.4	9.9	8.0	6.6	5.6
P/E Adj	nm	nm	6.7	4.3	3.2
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	4.5	3.6	3.3	2.9	2.5

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (**DCF**) model or similar methods such as a dividend discount model (**DDM**)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and - 10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	31.34%
OUTPERFORM:	37.31%
NEUTRAL:	31.35%
UNDERPERFORM:	00.00%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (79 in total) is as follows:

BUY:	51.90%
OUTPERFORM:	29.11%
NEUTRAL:	18.99%
UNDERPERFORM:	00.00%
SELL:	00.00%

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