TESMEC

OUTPERFORM

Sector: Industrials

Price: Eu0.11 - **Target: Eu0.17**

Energy business drives quality growth. TP raised to Eu0.17

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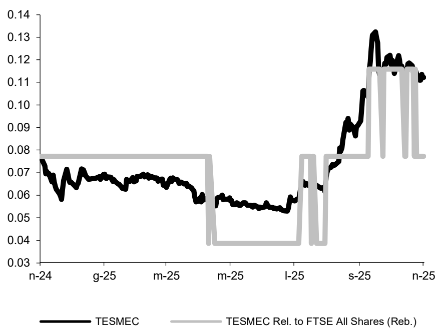
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 0.08 to 0.17
	2025E	**2026E**	**2027E**
Chg in Adj EPS	7.3%	20.5%	33.7%

TESMEC - 12M Performance



Stock Data			
Reuters code:			TES.MI
Bloomberg code:			TES IM
Performance	**1M**	**3M**	**12M**
Absolute	-4.8%	59.6%	45.3%
Relative	-4.2%	56.2%	19.5%
12M (H/L)			0.13/0.05
3M Average Volume (th):			7,636.89

Shareholder Data	
No. of Ord shares (mn):	606
Total no. of shares (mn):	606
Mkt Cap Ord (Eu mn):	68
Total Mkt Cap (Eu mn):	68
Mkt Float - Ord (Eu mn):	32
Mkt Float (in %):	46.6%
Main Shareholder:	
TTC	47.8%

Balance Sheet Data	
Book Value (Eu mn):	80
BVPS (Eu):	0.13
P/BV:	0.9
Net Financial Position (Eu mn):	-136
Enterprise Value (Eu mn):	204

- **9M25 results solid both on profitability and cash generation.** 9M25 results confirmed the positive trend in 1H25, showing top-line growth at +7% vs. 9M24 PF (excluding Marais), stable margins at 16.3% (negative sales mix offset by cost efficiencies), and strong cash generation with net debt at Eu136mn as of September 2025, down Eu10mn vs. June 2025 and Eu40mn vs. September 2024. Beside supportive P&L trends suggesting increasing focus on quality of revenues and profitability, we note that debt deleverage is a key valuation driver for Tesmec given that the debt component accounts for approx. 2/3 of the EV.
- **Energy drives improving performance**: 3Q25 revenues came to Eu63.6, up 3% vs. pro-forma 3Q24, driven by 35% YoY growth at the Energy business (strong performances in Stringing and Energy Automation), which reported 3Q25 revenues of Eu26.5mn. In 3Q25, Energy was the most important contributor to consolidated revenues and accounted for 42% of Tesmec's top line vs. 39% from Trenchers which reported 3Q25 sales down 10% vs. 3Q24 pro-forma. 3Q25 EBITDA of Eu10.2mn grew 5% vs. Eu9.7mn pro-forma 3Q24, with the margin slightly improving from 15.6% in 3Q24 to 16.0% in 3Q25. EBITDA growth was driven by Energy (20.3% EBITDA margin in 3Q25 vs. 11.7% in 3Q24) and Rail (EBITDA stable despite lower YoY volumes), while Trencher (EBITDA down Eu2.4mn YoY) was the only weak spot. We note that Energy accounted for >50% of group EBITDA in 3Q25. EBIT of Eu5.0mn increased by 37% vs. 3Q24, with the net result approx. at breakeven (-Eu0.2mn) after Eu0.5mn of unrealized ForEx losses.
- **Outlook and Estimates.** Management confirmed the indications of rising revenues and EBITDA in FY25, with a further reduction of net debt vs. September 2025. We have fine-tuned P&L estimates for FY25 but raised FY26-FY27 revenues by +3% and EBITDA by +8%. We have materially improved cash generation assumptions, with net debt improved by Eu8mn in FY25 to Eu136mn (in line with the 9M25 figure) and by Eu15mn in FY26 (vs. a current mkt cap of Eu69mn) to Eu126mn.
- **OUTPERFORM; target price raised to Eu0.17 (from Eu0.08).** Tesmec is exposed to growing end-markets in Energy (now the group's most important business) and Rail (internationalization of its diagnostic technologies), supporting the growth outlook in coming years too. Weakness in Trenchers is being addressed by focusing on strategic regions (US and Middle East) and applications (energy and mining). Our updated DCF-based EV for Tesmec is Eu245mn (from the prev. Eu200mn), implying a fair equity value of Eu105mn (from prev. Eu48mn). The closing of the transaction with OT Engineering (deconsolidation of Marais debt became definitive) and the Eu55mn debt refinancing announced in October support the positive stance. At target, we value Tesmec at 4.5x EV/EBITDA FY26E (prev. 4.4x FY25E) and 9x P/E FY26E.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	252	253	260	281	304
EBITDA Adj (Eu mn)	34	41	44	51	58
Net Profit Adj (Eu mn)	-3	0	7	11	17
EPS New Adj (Eu)	-0.005	0.000	0.011	0.019	0.028
EPS Old Adj (Eu)	-0.005	0.000	0.010	0.016	0.021
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	6.9	4.9	4.6	3.8	3.1
EV/EBIT Adj	21.4	9.9	8.7	6.5	4.9
P/E Adj	nm	nm	10.2	5.9	4.0
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	4.5	3.6	3.1	2.5	2.0

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- 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)

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Frequency of research: quarterly.

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

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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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OUTPERFORM:	38.93%
NEUTRAL:	28.25%
UNDERPERFORM:	00.76%
SELL:	00.00%

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OUTPERFORM:	29.87%
NEUTRAL:	18.18%
UNDERPERFORM:	01.30%
SELL:	00.00%

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