

TESMEC

Sector: Industrials

OUTPERFORM

Price: Eu0.17 - Target: Eu0.19

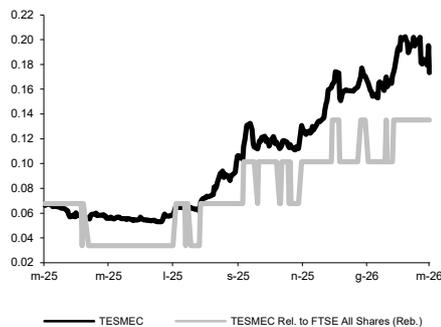
Energy Structural, transitory issues affecting Trenchers

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 0.17 to 0.19		
	2026E	2027E	2028E
Chg in Adj EPS	-34.6%	-16.8%	-12.8%

TESMEC - 12M Performance



Stock Data

Reuters code:	TES.MI		
Bloomberg code:	TES IM		
Performance	1M	3M	12M
Absolute	-9.5%	3.7%	156.5%
Relative	-5.4%	1.8%	138.0%
12M (H/L)	0.20/0.05		
3M Average Volume (th):	6,425.41		

Shareholder Data

No. of Ord shares (mn):	606
Total no. of shares (mn):	606
Mkt Cap Ord (Eu mn):	105
Total Mkt Cap (Eu mn):	105
Mkt Float - Ord (Eu mn):	49
Mkt Float (in %):	46.6%
Main Shareholder:	
TTC	47.8%

Balance Sheet Data

Book Value (Eu mn):	85
BVPS (Eu):	0.14
P/BV:	1.2
Net Financial Position (Eu mn):	-127
Enterprise Value (Eu mn):	232

■ **FY25 EBITDA below estimates with sales in line. Better net debt.** FY25 results confirmed the positive trend in Energy and Rail, although figures were below expectations, particularly for EBITDA (9% below estimates at Eu40mn, -1% YoY). Sales came in at Eu258mn (-1% below estimates), up 8% YoY. FY25 net profit of Eu2.1mn vs. Eu4.2mn expected was impacted by Eu3.4mn of ForEx losses (some reversal possible in FY26). On the positive side, net debt was Eu130mn (4% better than expected) as at end-2025, down Eu17mn (>15% of mkt cap) vs. Eu147mn in FY24. Lower net working capital contributed Eu28mn to debt reduction, with CapEx at Eu25mn including Eu5mn for the fleet (guided slightly upward in FY26) and operating cash flow at Eu13mn. Net working capital (Eu72mn) is covered by long term debt, with IFRS 16 leasing contributing Eu28mn to the Eu130mn net debt in FY25 (guided down in FY26 as well).

■ **Energy and Rail structural, Trenchers subject to transitory issues.** Weak 4Q25 volumes and profitability were driven by the poor performance at Trenchers (sales down 4% and EBITDA down 46% in FY25), impacted by issues in Saudi Arabia (project delays) and Australia (project execution) that management said were temporary. Conversely, at Energy (sales up 25% YoY in FY25 to close to Eu100mn with a 20% EBITDA margin), the market is in very good shape at both divisions: Stringing is working with negative working capital and profitability is benefiting from cost efficiencies and the design of the product range; Energy Automation is benefiting from geographical diversification and the transition to a system-based offering. Results at Rail (sales +6%, EBITDA +7% in FY25) still do not capture the internationalization of the business (i.e. a E71mn contract recently awarded in Slovenia).

■ **Outlook.** Management confirmed the focus on quality revenues (flattish volumes), profitability, and cash generation, and guided for EBITDA improving YoY and lower net debt YoY in 2026, with net working capital stable or slightly down vs. FY25 (Eu72mn), and CapEx slightly up vs. Eu25mn in FY25. We have fine-tuned sales estimates for FY26-FY27 (-1%), cut EBITDA by 6%, and left net debt projections broadly unchanged. Management said the Middle East accounts for 5% of the company's business and is a strategic region for future growth.

■ **Outperform TP Eu0.19 (previous Eu0.17).** 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 over the coming years. Our updated DCF-based equity value for Tesmec is Eu114mn (previously Eu105mn). At target, we value Tesmec at 5.2x FY26E EV/EBITDA and 9.9x FY26E P/E.

Key Figures & Ratios	2024A	2025A	2026E	2027E	2028E
Sales (Eu mn)	240	258	280	301	325
EBITDA Adj (Eu mn)	41	41	47	56	62
Net Profit Adj (Eu mn)	0	-2	8	14	19
EPS New Adj (Eu)	0.000	-0.004	0.012	0.023	0.032
EPS Old Adj (Eu)	0.000	0.011	0.019	0.028	0.037
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	4.9	4.5	4.9	4.0	3.3
EV/EBIT Adj	9.9	9.3	9.3	6.7	5.2
P/E Adj	nm	nm	13.9	7.4	5.4
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	3.6	3.2	2.7	2.1	1.6

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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.

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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:	31.30%
OUTPERFORM:	38.17%
NEUTRAL:	30.53%
UNDERPERFORM:	00.00%
SELL:	00.00%

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BUY:	52.00%
OUTPERFORM:	29.33%
NEUTRAL:	17.34%
UNDERPERFORM:	01.33%
SELL:	00.00%

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