

# TESMEC

Sector: Industrials

# OUTPERFORM

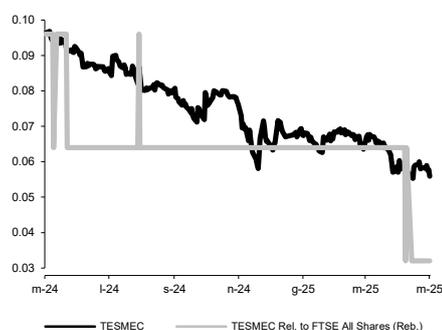
Price: Eu0.06 - Target: Eu0.08

## 1Q25 Results Slightly Better. FY Outlook Confirmed

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| Stock Rating       |           |       |
|--------------------|-----------|-------|
| Rating:            | Unchanged |       |
| Target Price (Eu): | Unchanged |       |
|                    | 2025E     | 2026E |
| 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                | -1.9%     | -18.3% | -41.8% |
| Relative                | -22.0%    | -24.5% | -56.0% |
| 12M (H/L)               | 0.10/0.06 |        |        |
| 3M Average Volume (th): | 1,107.93  |        |        |

| Shareholder Data          |       |
|---------------------------|-------|
| No. of Ord shares (mn):   | 606   |
| Total no. of shares (mn): | 606   |
| Mkt Cap Ord (Eu mn):      | 34    |
| Total Mkt Cap (Eu mn):    | 34    |
| Mkt Float - Ord (Eu mn):  | 16    |
| Mkt Float (in %):         | 46.6% |
| Main Shareholder:         |       |
| TTC                       | 47.8% |

| Balance Sheet Data              |      |
|---------------------------------|------|
| Book Value (Eu mn):             | 82   |
| BVPS (Eu):                      | 0.13 |
| P/BV:                           | 0.4  |
| Net Financial Position (Eu mn): | -144 |
| Enterprise Value (Eu mn):       | 178  |

■ **1Q25 results slightly better than expected.** 1Q25 results came in slightly above our expectations, denoting a solid start to the year despite macro uncertainties. In detail: 1Q25 revenues came to Eu61.4mn vs. Eu60mn expected, up 10% vs. pro-forma 1Q24 figures excluding Marais (Eu55.8mn), mainly driven by increasing volumes in Energy and Rail. EBITDA of Eu9.5mn vs. Eu9.3mn expected was up 3.9% YoY vs. 1Q24 pro-forma, with a 15.5% margin vs. 16.4% in 1Q24, reflecting a different sales mix and de-stocking on the negative side, partially offset by cost efficiencies. EBIT increased 9% vs. 1Q24 pro-forma to Eu4.3mn, with the net result in the red for Eu1.4mn (net profit from continuing operations Eu0.1mn, net loss from discontinued operations Eu1.5mn) after a Eu0.9mn impact from unrealised ForEx losses. Net debt was Eu153mn vs. Eu158mn expected, up Eu6mn vs. the FY24 figure of Eu147mn. Closing of the OT Engineering transaction (reduction of Eu9.5mn in net debt after Eu13.5mn of lower sales, but essentially no impact on EBITDA), which will own 50% of Group Marais, is expected by year-end.

■ **Caterina Caccia Dominioni and Carlo Caccia Dominioni appointed Chief Executive Officers.** The Board of Directors confirmed Ambrogio Caccia Dominioni as Chairman and appointed Caterina Caccia Dominioni and Carlo Caccia Dominioni as Chief Executive Officers with full powers that can be exercised independently. Caterina Caccia Dominioni, already group General Counsel and a board member since 2009, contributed to the development of the Railway division. Carlo Caccia Dominioni joined Tesmec in 2013 and is the head of its Energy business.

■ **Management confirmed FY25 outlook. Partnership with Alstom.** Although quantitative guidance targets were not provided, management confirmed the indications provided in the FY24 results call on expected growth in key markets, driven by the energy transition and Tesmec's manufacturing flexibility between Italian and US plants. Specifically, management expects 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. Management also announced a partnership with Alstom for the supply of catenary and diagnostic services which should support results in the years to come. Similar value realisation initiatives to the deal in France with OT Engineering are also possible. As a result, we are leaving our estimates unchanged, with FY25 sales seen at Eu256mn (+7% YoY), EBITDA of Eu44mn (8%), and net debt down slightly YoY to Eu144mn.

■ **OUTPERFORM; target Eu0.08.** Despite a challenging macroeconomic environment and a weak financial structure, the company is executing in line with expectations. Our DCF-based EV for Tesmec is Eu200mn (4.4x EV/EBITDA 2025E), implying a fair equity value of Eu48mn. We think the equity component is so depressed that successful execution on de-leverage and extraordinary transactions might lead to significant performance, although it remains a risky bet.

| Key Figures & Ratios   | 2022A | 2023A  | 2024A | 2025E | 2026E |
|------------------------|-------|--------|-------|-------|-------|
| Sales (Eu mn)          | 245   | 252    | 240   | 256   | 275   |
| EBITDA Adj (Eu mn)     | 35    | 34     | 41    | 44    | 49    |
| Net Profit Adj (Eu mn) | 8     | -3     | 0     | 6     | 10    |
| EPS New Adj (Eu)       | 0.013 | -0.005 | 0.000 | 0.010 | 0.016 |
| EPS Old Adj (Eu)       | 0.013 | -0.005 | 0.000 | 0.010 | 0.016 |
| DPS (Eu)               | 0.000 | 0.000  | 0.000 | 0.000 | 0.000 |
| EV/EBITDA Adj          | 6.0   | 6.9    | 4.9   | 4.0   | 3.6   |
| EV/EBIT Adj            | 16.1  | 21.4   | 9.9   | 7.7   | 6.3   |
| P/E Adj                | 4.2   | nm     | nm    | 5.5   | 3.5   |
| Div. Yield             | 0.0%  | 0.0%   | 0.0%  | 0.0%  | 0.0%  |
| Net Debt/EBITDA Adj    | 3.6   | 4.5    | 3.6   | 3.3   | 2.9   |

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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 of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX 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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As at 31 March 2025 Intermonte's Research Department covered 131 companies.

As of today Intermonte's distribution of stock ratings is as follows:

|              |         |
|--------------|---------|
| BUY:         | 32.59 % |
| OUTPERFORM:  | 37.78 % |
| NEUTRAL:     | 29.63 % |
| UNDERPERFORM | 00.00 % |
| SELL:        | 00.00 % |

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

|              |         |
|--------------|---------|
| BUY:         | 52.70 % |
| OUTPERFORM:  | 29.73 % |
| NEUTRAL:     | 17.57 % |
| UNDERPERFORM | 00.00 % |
| SELL:        | 00.00 % |

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|-----------|---|------------|
|-----------|---|------------|

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