



SPAFID CONNECT

Informazione Regolamentata n. 1155-14-2020	Data/Ora Ricezione 14 Aprile 2020 23:16:07	MTA - Star
--	---	------------

Societa' : TESMEC

Identificativo : 130759

Informazione
Regolamentata

Nome utilizzatore : TESMECN03 - Turani

Tipologia : REGEM

Data/Ora Ricezione : 14 Aprile 2020 23:16:07

Data/Ora Inizio : 14 Aprile 2020 23:16:08

Diffusione presunta

Oggetto : Tesmec - The Board of Directors approved strategic operations for the growth of the Group

Testo del comunicato

Vedi allegato.



TESMEC S.P.A.: THE BOARD OF DIRECTORS APPROVED STRATEGIC OPERATIONS FOR THE GROWTH OF THE GROUP

- **Approved the acquisition of 100% of the share capital of 4 SERVICE S.r.l., a company operating in the trencher rental business, from the related party MTS - OFFICINE MECCANICHE DI PRECISIONE S.p.A.**
- **Approved the proposal to submit to the shareholders' meeting the attribution of a proxy ex art. 2443 c.c. to the Board of Directors to increase the share capital up to maximum euros 50 million including a related share premium accounts for the maximum period of five years from the date of the relevant resolution. The proxy has already the support of the majority shareholder TTC.**
- **Convened the ordinary and extraordinary shareholders' meeting on May 21, 2020, in a single call**

Grassobbio (Bergamo – Italy), 14 April 2020 – The Board of Directors of **Tesmec S.p.A.** (MTA, STAR: TES), at the head of a group leader in the market of infrastructures related to the transport and distribution of energy, data and materials, approved today:

(i) a transaction aimed at the acquisition of 100% of the share capital of 4 Service S.r.l., a company operating in the trencher rental business, by the related party MTS - Officine Meccaniche di Precisione S.p.A., for a consideration equal to Euro 9.4 million. At the execution date, at the same time as the credit arises in relation to the consideration, MTS will convert the credit into a future capital increase account of Tesmec. The execution of the Transaction is expected by April 30, 2020;

ii) to submit to the approval of the extraordinary shareholders' meeting the proposal to give to the Board of Directors the proxy, pursuant to article 2443 of the Civil Code, to increase, in one or more times, for a fee and / or in free of charge and in divisible form, the share capital for a maximum total amount not exceeding Euro 50,000,000.00 (the "**Maximum Total Amount**"), inclusive of the related share premium accounts, in one or more times, for a fee and in divisible form; and

(iii) to convene the ordinary and extraordinary shareholders' meeting, in a single call, on May 21, 2020, at 10.30 a.m.

The **Chairman and CEO** Ambrogio Caccia Dominioni commented as follows: *“Today we approved the acquisition of 4Service Srl, a very important transaction for Tesmec that allows us to integrate the rental business and that will bring not only an improvement in profitability and cash generation, but also greater efficiency and fast development of this sector that has significant growth prospects in many countries where Tesmec operates. The Board of Directors also resolved to give to the shareholders' meeting the proxy for a capital increase up to a maximum total amount of Euro 50 million, also starting the update of the business plan whose guidelines will be confirmed in the coming months, as soon as the global macroeconomic scenario will allow us a more accurate assessment of the impacts of the current Covid-19 pandemic. I consider the capital increase, together with the acquisition of 4 Service Srl and the contextual conversion of the consideration into a future capital increase account, a key step for the future of Tesmec, which will not only*



strengthen its asset structure but also integrate into a high potential business, improving all profitability parameters. The update of the business plan will allow to size the amount of the capital increase, for which the majority shareholder has already confirmed the total willingness to participate for its share. The current situation is not easy and still uncertain, but I believe that the outlook for our Group remains highly positive. Tesmec in fact operates in strategic and infrastructural sectors which will be even more crucial in a context in which governments will have to relaunch the economy of their countries with strong investment plans. "

4 SERVICE SRL TRANSACTION

Introduction

The Board of Directors approved a transaction (the “**Transaction**”) aimed at the acquisition of 100% of the share capital of 4 Service S.r.l. (“**4 Service**”), a company operating in the trencher rental business also via its subsidiary MTS4Service USA LLC, by the related party MTS - Officine Meccaniche di Precisione S.p.A. (“**MTS**”), for a consideration equal to Euro 9.4 milion (the “**Consideration**”) that will be immediately converted into a future capital increase account of Tesmec. The execution of the Transaction is expected by April 30, 2020.

The Transaction is part of the Group's strategy of concentrating in a single organization the management of the rental activity, that today is carried out by the 4 Service and by Tesmec USA Inc. The possibility of renting trenchers allows the customers of the Group to get the maximum operative advantage by having, at the best time and place, the most suitable equipment according to job site requirements, with significant savings on time - and costs - of execution and postponing the potential purchase in a second time.

It should be noted that the strategy linked to the development of the rental business started in 2017 when the agreements with MTS were signed concerning (i) the purchase by the newco 4 Service (formerly MTS) of trenchers, with the aim of subsequent rental, and (ii) the supply by the Group, through subcontracting, of all the complimentary services requested for the use of the trenchers (i.e. transport, stock, maintenance, repairs).

Considering the positive results achieved in the three-year period and having reached the optimal size of the fleet, the Group took the opportunity to internalize and concentrate all the so-called dry rental activities in a single organization. The Group was able to carry out the Transaction thanks to the availability of MTS to convert the credit arising from the payment of the Consideration into a future capital increase account of Tesmec and thanks to the availability of the companies of the group headed by TTC to convert its credit of about Euro 8 million in a 3-year loan with a rate of 2% per year.

Transaction analysis

In 2019 the so-called dry rental activity (excluding the sales of equipment) of 4 Service Srl generated revenues of Euro 6.9 million, an EBITDA of Euro 5.2 million (equal to 75.2%). There was a strong cash generation from this activity considering that the NFP was Euro 12.8 million as at 31 December 2019, while as at 31 March 2020 it was Euro 11.7 million.



Furthermore, it should be noted that the consolidated revenues for the dry rental business of 4 Service and Tesmec USA in 2019 were Euro 9.4 million, with an EBIDTA of Euro 6.2 million (equal to 66%).

Below is table showing the 2019 income statement and balance sheet aggregating the two businesses (net intercompany transaction) aimed at representing the impact of the Transaction on the Group's economic performance and on the balance sheet.

€m	Tesmec Group FY2019	Tesmec Group Aggregated FY2019
Revenues	200.7	198.6
EBITDA	27.4	31.4
EBITDA %	13.7%	15.8%
NFP	118.0	120.4
NFP/EBITDA	4.3x	3.8x
Net equity	46.2	51.5
FCF	(24.9)	(23.1)
Financial fixed assets	(9.9)	(9.9)
Cash	(17.9)	(20.0)
Debt IFRS 16	145.9	150.3
NFP	118.0	120.4
Shareholder loan		10.5

As highlighted in the table above which shows the 2019 income statement and balance sheet data, the integration of the two businesses will bring clear benefits for Tesmec in terms of improvement of EBIDTA which in 2019 would have gone from Euro 27.4 million to Euro 31.4 million, as well as in terms of improvement of the NFP/EBITDA ratio which would have gone from 4.3 to 3.8.

The consolidated revenues for the dry rental business of 4 Service and Tesmec USA as at 31 March 2020 amounted to a total of Euro 2.5 million, with an estimated EBIDTA of approximately Euro 1.3 million.

The Consideration, equal to Euro 9.4 million, was negotiated between the Parties based on an assessment prepared by EY Advisory in support of the Board of Directors of Tesmec according to the information provided by the Company. The Consideration reflects the assessment derived from the application of the method of multiples of comparable listed companies and the method of trading multiples of comparable transaction using EBIDTA 2019 as the reference parameter.

MTS is committed to convert the credit arising from the payment of the Consideration into a future capital increase account of Tesmec. The execution of the Transaction is expected by April 30, 2020.

The Transaction was approved by the Board of Directors after receiving the favorable opinion of the Control and Risks Committee, also with function of the Committee for Transactions with Related Parties (the “Committee”) which, for the purposes of its assessments, was supported by the independent expert Mr. Gianluca Cinti of Partners SpA.



The Transaction is a transaction of greater relevance between related parties, pursuant to the Regulation approved by CONSOB with Resolution no. 17221 of March 12, 2010, as subsequently integrated and modified ("**Related Party Regulations**"), and of the procedure for related party transactions of the Company ("**Related Party Procedure**"), as MTS and Tesmec are under the same control by TTC S.r.l. which holds (i) approximately 57.09% of the share capital of Fi. Ind. S.p.A. which holds a 95.27% of the share capital of MTS and (ii) 44.24% of the share capital of Tesmec. The 18.62% of the share capital of TTC S.r.l. is held by Ambrogio Caccia Dominioni, Chairman and CEO of Tesmec, 18.62% by Lucia Caccia Dominioni, director of Tesmec and 18.62% by Caterina Caccia Dominioni, director of Tesmec. Furthermore, (i) the Chairman and CEO of Tesmec Ambrogio Caccia Dominioni holds the position of non-executive director of MTS and (ii) the Vice Chairman of Tesmec Gianluca Bolelli holds the position of director of TTC S.r.l ..

BUSINESS PLAN AND PROPOSAL TO GIVE THE PROXY TO INCREASE THE SHARE CAPITAL

The Board of Directors resolved to update the business plan to consider both the effects of the pandemic caused by the Covid 19 and the opportunities that characterize the sectors in which the Group operate: energy, telecommunication, transport and mining. The guidelines of the plan will be submitted to the market before the summer break. Restrictive measures for the curb of the Covid 19 adopted by the public authorities of the concerned countries had the main consequences on the stop of production activities and the supply chain, which, however, we believe will have no significant effects on the Group businesses in the medium term. The commercial and technical developments are going on without any kind of lock (always in compliance with the measures taken by the Government and with the health and safety protocols).

In order to lay the foundations for the achievement of the new business plan, the Board of Directors resolved then to propose to the extraordinary shareholders' meeting on May 21, 2020 the attribution to the Board of Directors of the proxy to increase the share capital up to the Maximum Total Amount of Euro 50 million for the period of 5 years from the date of the shareholders' meeting resolution, aimed at:

- financing the investments planned in the new business plan, including the previous 4 Service acquisition, in strategic sectors of energy (digitalization and automation of the grids), telecommunication (new fiber optic networks), transports (systems for safety, diagnostic and maintenance of the railway lines) mining (new mining methods), since these sectors will be even more crucial in a context in which governments will have to relaunch the economy of their countries with strong investment plans;
- strengthening the asset structure, rebalancing the sources of financing (equity and debts) and improving the Company's economic and financial parameters,

With reference to the proposed capital increase, the majority shareholder TTC, for itself and for the companies of the group headed by it, confirmed, also through the conversion of the consideration for the 4 Service into a future capital increase account, the support for the operation for its share.

For further information on the proposal of proxy for the capital increase, please refer to the information report which will be published within the terms and in the modality provided by the applicable law and regulations.



CALL OF THE SHAREHOLDERS' MEETING AND CHANGE IN THE CORPORATE EVENTS CALENDAR

The Board of Directors resolved to convene the ordinary and extraordinary shareholders' meeting on 21 May 2020, at 10.30 a.m., in a single call, with the following agenda:

Ordinary session

1. Approval of the financial statements as at 31 December 2019 and presentation of the Tesmec Group's consolidated financial statements and relevant reports, including the Consolidated Non-Financial Statement; allocation of result for the period; related and consequent resolutions.

1.1. Approval of the financial statements as at 31 December 2018 and of the Report of Board of Directors

1.2 Allocation of result for the period

2. Resolutions related to the report on remuneration pursuant to Article 123-ter of Legislative Decree 58/1998 and to Article 84-quater of Consob Regulation no. 11971/1999.

2.1 Binding vote on the remuneration policy for the year 2020 explained in the first section of the report; related and consequent resolutions;

2.2 Consultation on the second section of the report concerning the remuneration paid in or related to 2019; related and consequent resolutions.

3. Proposal of authorization to purchase and dispose of treasury shares, subject to the withdrawal of the previous resolution by the Shareholder's Meeting of 16 April 2019; related and consequent resolutions.

Extraordinary session

1. Removal of the indication of the nominal value of the shares and adaptation to the new regulatory provisions on gender quotas; consequent amendments to articles 5, 14 and 22 of the company statute; related and consequent resolutions.

2. Attribution to the Board of Directors of the proxy, pursuant to article 2443 of the Civil Code, to increase the share capital for a maximum total amount not exceeding Euro 50,000,000.00 (the "Maximum Total Amount"), inclusive of the related share premium accounts, in one or more times, for a fee and in divisible way, but with the possibility of the Board of Directors to establish the indivisibility for individual tranches of use of the proxy, with or without warrant, also with the exclusion of the option right pursuant to article 2441, paragraphs 4 and 5, of the Civil Code and of the proxy, pursuant to article 2420-ter of the Civil Code, within the Maximum Total Amount, to issue bonds, also convertible, with or without warrant, also with exclusion of the right of option to pursuant to article 2441 of the Civil Code; modification of art. 5 of the company statute; related and consequent resolutions

For more information about the shareholders' meeting, please refer to the call which will be published within the terms and in the modality provided by the applicable law and regulations.



Finally, the Board of Directors resolved to postpone the Board of Directors meeting for the examination and approval of the Quarterly Report as at 31 March 2020 from 5 May 2020 to 21 May 2020, since there are objective impediments - linked to the Covid 19 emergency – for timely compliance with the regulatory term of 45 days from the end of the reference quarter. The delays in the execution of the rental business acquisition related to the current health emergency, in fact, require the postponement of the approval of this interim management report in order to be able to incorporate the effects of this acquisition and thus to provide effective and complete information to the market on the economic, asset and financial situation of the Company and the Group.

In compliance with the provisions of art. 2.6.2, paragraph 1, lett. b), of the Regulation of Markets organized and managed by Borsa Italiana S.p.A. therefore, the calendar of corporate events published on the Company's website at www.tesmec.com will be updated accordingly.

Conference Call

At 12:00 AM (CET) – 11:00 AM (BST) of tomorrow, Wednesday 15 April 2020, Ambrogio Caccia Dominioni, Chairman and CEO of Tesmec S.p.A., and the Top Management of the Company will present the outcomes of the resolutions approved by the Board of Directors on April 14, 2020 to the financial community during a conference call.

To participate, you are kindly requested to call this number:

from Italy: +39 02 805 88 11

from UK: + 44 121 281 8003

from Germany: +49 69 255 11 4451

from France: +33 170918703

from Switzerland: +41 225954727

from USA: +1 718 7058794

For further information:

Tesmec S.p.A.

Marco Paredi

Investor Relations Manager

Tel: +39 035 4232840 – Fax: +39 035 3844606

E-mail: ir@tesmec.com

Image Building - Media Relations

Alfredo Mele, Carlo Musa, Alessandro Beretta

Tel: +39 02 89011300

E-mail: tesmec@imagebuilding.it

This press release is also available on www.tesmec.com in the "Investors" section:

<http://investor.tesmec.com/Investors/Notices.aspx>.



Tesmec Group

Tesmec Group is leader in designing, manufacturing and selling of systems, technologies and integrated solutions for the construction, maintenance and efficiency of infrastructures related to the transport and distribution of energy, data and material. In details, the Group is active in the following sectors: 1) transmission and distribution power lines (stringing equipment for the installation of conductors and the underground cable laying, electronic devices and sensors for the management, monitoring and energy automation); 2) underground civil infrastructures (high powered tracked trenchers for linear excavation of oil, gas and water pipelines, telecommunication networks and drainage operations; surface miners for bulk excavation, quarries and site preparation; specialized digging services); 3) railway lines (railway equipment for the installation and maintenance of the catenary and for special applications, e.g. snow removal from track; new generation power unit). The Group, established in 1951 and led by Chairman & CEO Ambrogio Caccia Dominioni, relies on more than 850 employees and has the production plants in Italy - in Grassobbio (Bergamo), Endine Gaiano (Bergamo), Sirone (Lecco), Monopoli (Bari), in the USA, in Alvarado (Texas) and in France, in Durtal, as well as three research and development units respectively in Fidenza (Parma), Padua and Patrica (FS). The Group also has a global commercial presence through foreign subsidiaries and sales offices in USA, South & West Africa, Australia, New Zealand, Russia, Qatar, China and France. The know-how achieved in the development of specific technologies and solutions, and the presence of engineering teams and highly skilled technicians, allow Tesmec to directly manage the entire production chain: from the design, production and sale of machinery, to all pre-sales and post-sales. All product lines are developed in accordance with the ISEQ (Innovation, Safety, Efficiency and Quality) philosophy, with environmental sustainability and energy conservation in mind.

Fine Comunicato n.1155-14

Numero di Pagine: 9