



- Stringing
- Energy Automation
- Railway
- Trencher

## Integrated Solutions Provider

### Global Strategy Update

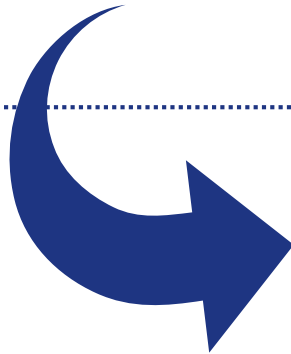


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- > **Strategic Overview**
- > Impact of Covid-19
- > Business Acquisition – 4SERVICE
- > Financial Structure Strengthening
- > Outlook 2020-2021

## TESMEC Group strategic market segments

- **ENERGY**
- **TELECOM**
- **INFRASTRUCTURES**



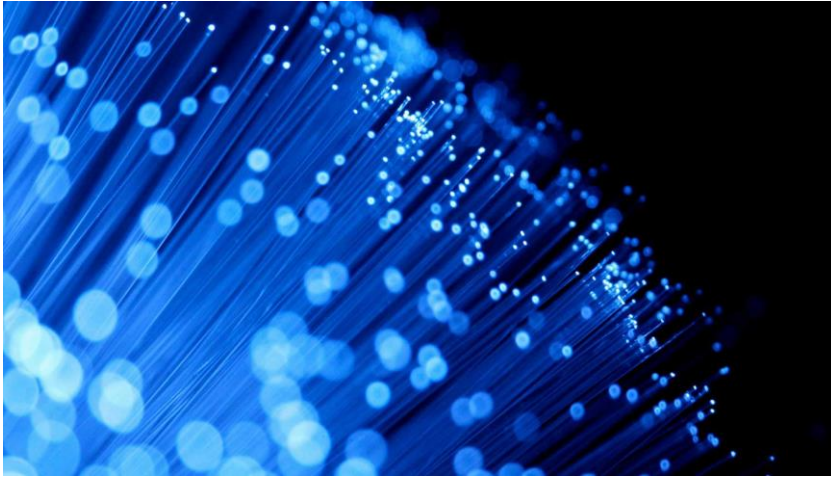
## Post COVID-19 approach

Further focus on development guidelines:

- **CONNECTIVITY IS A MUST** (5G opportunities, digitalization)
- **SAFETY-FIRST** (Diagnostic, Artificial Intelligence, Cybersec)
- **ENVIRONMENTAL IMPACT** (Energy transition)

Focus on key geographic areas: USA, China and New developed Countries

## TELECOM & CIVIL INFRASTRUCTURES



## TRENCHER BUSINESS



### MARKET TRENDS

- From SALES to RENTAL
- 5G and Telecom
- Infrastructures and mining

### TESMEC POTENTIAL

- Wide rental fleet
- Clean & Fast solutions
- Complete jobsite management

## ENERGY



### MARKET TRENDS

- Powerline refurbishment and management (smart grid) due to the aging of existing conductors in western countries
- Interconnection lines to connect renewables sources

## STRINGING BUSINESS



### TESMEC POTENTIAL

- Methodologies for rethinking maintenance activities
- Green approach (full electric range)

## ENERGY



## ENERGY AUTOMATION BUSINESS



### MARKET TRENDS

- Smart grids
- Energy transition
- Cybersecurity

### TESMEC POTENTIAL

- Protection, monitoring & remote control
- Substation Automation Systems (SAS)
- IoT platform and sensors

## RAILWAY



### MARKET TRENDS

- Safety and Reliability for railway infrastructure
- National investments program to support local economy
- Predictive maintenance through Artificial intelligence and Big data

## RAIL BUSINESS



### TESMEC POTENTIAL

- Complete portfolio of technological solutions for railway electrification and maintenance
- Advanced working vehicles for maintenance purpose
- Diagnostic vehicles with integrated diagnostic systems for unmanned diagnostic and data management platform

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## 1<sup>st</sup> PHASE

Health emergency

**Different impacts** on the several businesses and key countries of the Group  
**Stop** of the **production activities** in Europe  
**No impacts** in the Tesmec **markets/sector** but **delays** due to the **production and logistic lock down**

## 2<sup>nd</sup> PHASE

Reopening

Essential services granted **in smart working modality**  
**Reopening** of production activities  
The **gears of the reopening** will be **impacted by** the Government Rules.

## 3<sup>rd</sup> PHASE

Recovery & growth

Recovery and growth thanks to **new business opportunities** and **relevance of Tesmec key drivers: safety, connectivity and sustainability**

Summary  
Management  
Actions

- **Efficiency** and **flexibility** actions adopted
- Actions to maintain **employment** levels
- Investments in key **infrastructure** sectors

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## MARKET TRENDS

- The rental business has a major in the global market. It is **growing** and expanding in market than ever before
- Customers want to increase the **flexibility** with limited investments in CAPEX

## BENEFIT FOR THE CUSTOMERS

- Get the **maximum operational advantage** by having, when and where needed, the most suitable equipment available for the type of work to be performed
- Significant **savings on time and costs** of execution with the possibility to test the machines before deciding whether to buy

## TESMEC TO BE

- **Integration of the 4SERVICE with the Tesmec USA's rental business to improve efficiency and profitability**
- Keeping the **Wet Rental/Full services business in Marais**
- Strategic Key Area: **USA, EU and Australia/New Zealand**

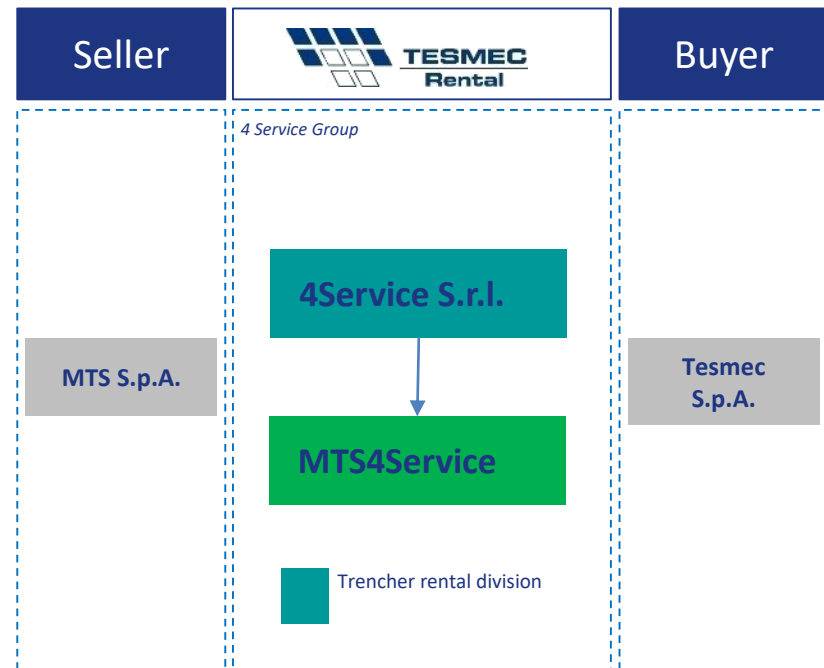
## BUSINESS DRIVERS

- **Cash-in** business
- **Recurring** business
- **Increase business volumes and market shares** thanks to a stronger and **more complete offer** and **wider range of solutions**
- Building **long-term relationships**

## Transaction

- **4Service S.r.l. is the rental division, 100% owned by MTS S.p.A. (including MTS4SERVICE LLC), sold to Tesmec S.p.A.**
- **The purchase price will be injected as future equity and not to be paid at closing of the transaction**
- **MTS S.p.A. and Tesmec S.p.A. are controlled by TTC**

## Perimeter of the transaction



## TESMEC Rental description and rationale

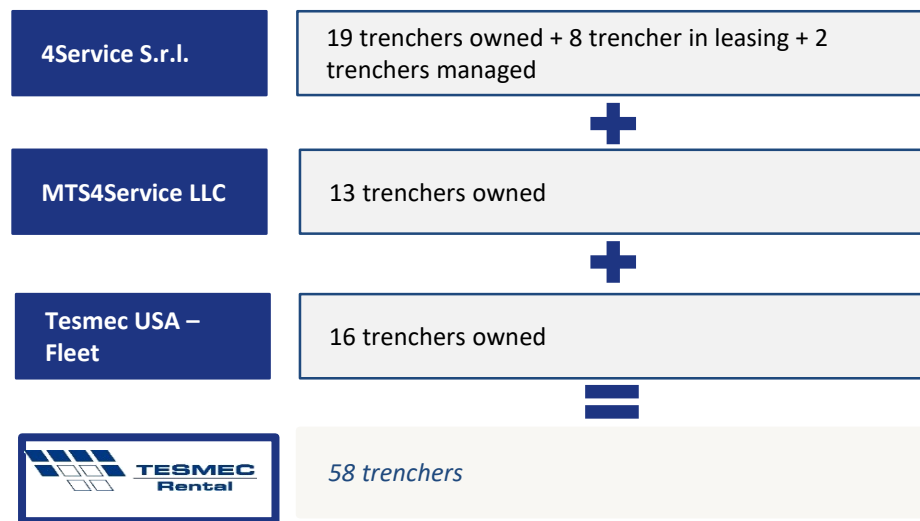
### Overview of the TESMEC Rental Division

- ▶ Tesmec Group, will be reorganized internally dedicating a BU to the rental division, TESMEC Rental. The Tesmec Rental will be focused on dry rental. The company will be able to provide clients with a single one stop shop and with the best suitable machine according to job site requirements, at the best time and place
- ▶ This division will facilitate the sale of trenchers, allowing the client a sort of “trial period” for the trencher

### Rationale of the TESMEC Rental Division

- ▶ TESMEC Rental is built up to face emerging market trend and internal needs. On one side, the market is changing and rental services might be elaborated to achieve the maximum operative advantage, allowing companies to increase the flexibility of financial resources and to reduce the financial fixed assets. On the other side, the Group might have the opportunity to increase sales, thanks to a wider fleet; and to build clients long-term relationship, thanks to customized rental contracts

## TESMEC Rental fleet 2020



## Tesmec Group – Key financials post transaction

	Tesmec Group FY2019	Tesmec Group Aggregated FY2019
Sales	200.7	198.6
<b>EBITDA</b>	<b>27.4</b>	<b>31.4</b>
<b>EBITDA %</b>	<b>13.7%</b>	<b>15.8%</b>
NFP	118.0	120.4
<b>NFP/EBITDA</b>	<b>4.3x</b>	<b>3.8x</b>
NET EQUITY	46.2	51.5
FCF	(24.9)	(23.1)
ST Fin Assets	(9.9)	(9.9)
Cash	(17.9)	(20.0)
Other LT Debt	145.9	150.3
NFP	118.0	120.4
Shareholder Loan		10.5 *

\* The shareholder loan was 7.8 M€ end of March.

Key financials post transaction:

- ✓ 2.1 p.p. EBITDA margin improvement
- ✓ Improvement of NFP/EBITDA of 0.5x

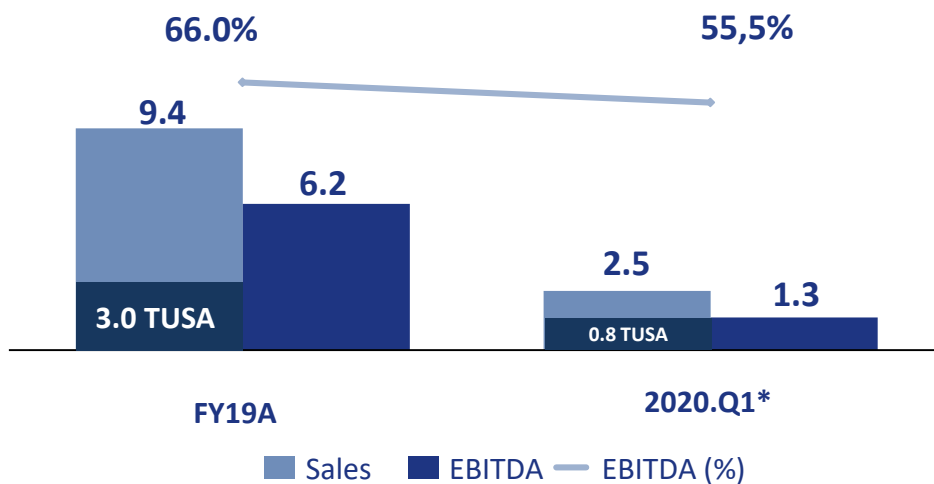
## Tesmec Group – Description post transaction

- The consolidation runner derives from the aggregation of 4Service S.r.l. (sale and rental business) and Tesmec Group, taking into consideration intercompany elisions
- The combined entity Rental division will have a positive effect on Tesmec Group's Aggregated EBITDA. The EBITDA of €31.4m derives from 4Service S.r.l. EBITDA (€5.4m), Tesmec Group EBITDA (€27.4m), and intercompany elisions (€1.4m) that refer to:
  - ✓ the trenchers sold to 4Service S.r.l.: revenues for Tesmec Group amount to €9.6m and the related industrial cost for Tesmec Group was €7.1m resulting in an IC impact of €2.6m. The IC elision is also impacted by the minor costs related to the sale of trenchers by 4Service S.r.l. to the market (margin for 4Service S.r.l. would have been €1.1m higher if it had been part of Tesmec Group)
  - ✓ the revenues/cost for the rental of trenchers (€3.1m) and the revenues/cost for the services provided by Tesmec S.p.A. to 4Service S.r.l. (€1.3) are perfectly offset and have no impact at EBITDA level

*Sale and rental financials are represented - €4.4m Other LT for 4Service S.r.l. is the IFRS 16 effect of the trenchers in leasing*

*The pro forma consolidated NFP should not take into account the shareholder loan that lies in 4Service Srl, as it is an outstanding debt towards shareholders, subordinated to the bank debt, as such it is represented separately. The EBITDA represented in the table below doesn't include the transaction costs.*

Key Forecast Financials P&L FY19A-2020.Q1



\* Preliminary closing

Revenues 2019:

- 4Service S.r.l. + MTS4Service LLC 6.4 M€
- Tesmec USA – Fleet 3.0 M€

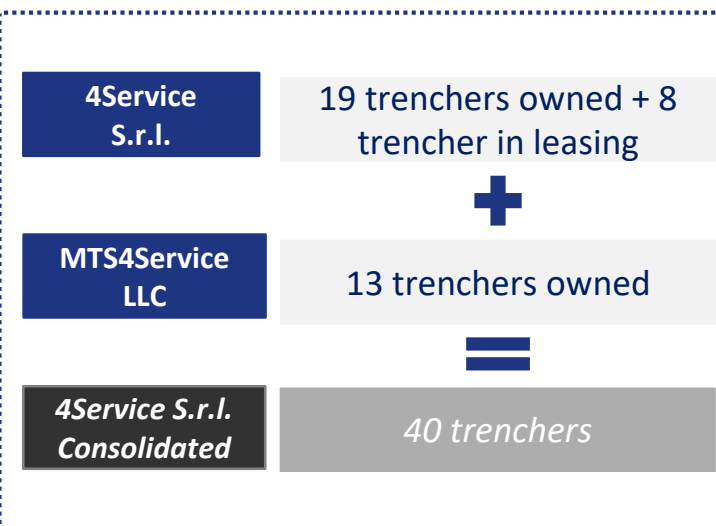
Revenues 2020.Q1:

- 4Service S.r.l. + MTS4Service LLC 1.7 M€
- Tesmec USA – Fleet 0.8 M€

4Service S.r.l. (only Rental)	FY2019	Mar-2020
Sales	6.9	
<b>EBITDA</b>	<b>5.2</b>	
<b>EBITDA %</b>	<b>75.2%</b>	
NFP	12.8	11.7
<b>NFP/EBITDA</b>	<b>2.5x</b>	
NET EQUITY	8.7	
FCF	1.8	
Shareholder Loan	10.5	7.8
Cash	(2.1)	(0.3)
Other LT Debt	4.4	4.2
NFP	12.8	11.7

- The consolidation runner derives from the aggregation of MTS4Service LLC and 4Service S.r.l. (carve out of MTS S.p.A.) taking into consideration 3 impacts: IFRS16, intercompany elisions and the restatement of certain line items
- Other LT Debt is relative to the trenchers in leasing (according to IFRS 16 standards)

<i>Market Price Valuation check</i>	€m Dec-19	€m Mar-20	# trenchers
4Service S.r.l. - Market Price	7.8	6.9	19
Leasing 4Service S.r.l. - Market Price	5.8	5.8	8
MTS4Service LLC - Market Price	10.4	9.3	13
<b>Total fleet market price</b>	<b>23.9</b>	<b>22.0</b>	<b>40</b>
NFP	12.8	11.7	
NWC	0.0	1.3	
Equity Value market price valuation	11.1	11.6	40





## Trading and Transaction multiples based valuation

Trading and transaction valuation		Advantages
<b>EV/EBITDA</b>	<b>≈4.1</b>	
EBITDA19	5.2	1) Value is <b>≈4.1 EBITDA</b>
EV	21.1	2) Value is <b>lower than market price value</b>
NFP Mar20	11.7	3) <b>No cash</b> out for the transaction
Equity Value - Price	<b>9.4</b>	

## Valuation check - @Market Price

Market Price - Valuation check	
	€m Mar-2020
4Service S.r.l. - Market Price	6.9
Leasing 4Service S.r.l. - Market Price	5.8
MTS4Service LLC - Market Price	9.3
Total fleet market price	<b>22.0</b>
NFP	11.7
NWC	1.3
Equity Value - market price valuation	<b>11.6</b>

## Trading and Transaction multiples based valuation

- 4Service S.r.l. valuation is around **4.1x**, based on comparable transaction multiples, trading multiple and a comparison with Tesmec Group's valuation
- **The negotiated price is €9,4m** as per trading and transaction multiples based valuation

## Valuation check - @Market Price

- The fleet at market price has a value of €22m, leading to an asset based equity value of **€11.6m**

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The Tesmec Board of Directors approved a proposal which will be submitted to the Shareholders Meeting for the increase of share capital up to 50 M€

## THE REASON WHY?

- ✓ Better **balance** between **Equity** and **Financial Debts**
- ✓ **Supporting** the future **business development**

## TERMS & TIMING

In **June** the **guidelines** of the **new business plan** will be released to the market with the **amount** of the **share capital increase**

## MAIN SHAREHOLDER

The **shareholder** support pro quota the share **capital increase**

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- > **Outlook 2020-2021**

<p style="text-align: center;"><b>2020</b></p>	<p><b>Guidelines of the Business Plan</b> will be released in <b>June 2020</b></p> <p><b>1Q</b> and <b>2Q</b> will be <b>affected</b> by the spread of COVID-19 worldwide with a Turnover reduction of 20%-25% compared last year</p> <p><b>3Q</b> and <b>4Q</b> will <b>recover</b></p> <p>The yearend <b>turnover</b> will be <b>less than 2019, due to the 2 months of substantial lockdown</b></p> <p>The <b>EBITDA margin</b> should <b>improve</b> in percentage <b>thanks to the rental</b> activity.</p> <p>The <b>Share Capital increase</b> and <b>cash generation</b> will materially improve the <b>ratio between the net financial debt and EBITDA</b></p>
<p style="text-align: center;"><b>FOCUS ON STRATEGIC MARKETS</b></p>	<p>TESMEC is focused in strategic market segments:</p> <ul style="list-style-type: none"> <li>▪ <b>SMART GRIDS &amp; ENERGY TRANSITION</b></li> <li>▪ <b>5G AND TELECOM</b></li> <li>▪ <b>INFRASTRUCTURES &amp; RAILWAYS</b></li> </ul> <p>that will drive the Group in the 3<sup>rd</sup> phase of growth (slide 9)</p>
<p style="text-align: center;"><b>DEVELOPMENT DRIVERS</b></p>	<ul style="list-style-type: none"> <li>▪ <b>ENERGY:</b> increasing needs of “smart and digital” systems, focus on energy transition and carbon free solutions</li> <li>▪ <b>RAIL:</b> push on maintenance and diagnostic of the railway network, new green motorization and high safety standard</li> <li>▪ <b>TRENCHERS:</b> investment plan for modern infrastructures, global demand of connectivity that requires underground fiber optic networks</li> </ul>
<p style="text-align: center;"><b>ACTION PLAN</b></p>	<ul style="list-style-type: none"> <li>▪ <b>Rationalization of costs structure</b> and <b>improvement of margins</b></li> <li>▪ <b>Take advantage of the liquidity measures</b> taken by the governments against COVID-19</li> <li>▪ <b>Reinforcement of the management structure</b> in strategic positions to face the new challenges</li> </ul>

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