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Oggetto : Tesmec S.p.A. - The Board of Directors
approved First Quarter 2021 results

Testo del comunicato

Vedi allegato.



TESMEC S.P.A.: THE BOARD OF DIRECTORS APPROVED THE INTERIM CONSOLIDATED REPORT ON OPERATIONS AS AT 31 MARCH 2021, WHICH RECORDED STRONG GROWTH IN REVENUES AND MARGINS AND RETURN TO PROFIT

Main consolidated results of first quarter 2021 (vs first quarter 2020):

- **Revenues: Euro 49.0 million**, with an increase compared to Euro 31.8 million as at 31 March 2020.
- **EBITDA¹: Euro 7.1 million**, with an increase compared to Euro 2.5 million as at 31 March 2020.
- **EBIT: Euro 1.4 million**, with an increase compared to negative Euro 1,7 million as at 31 March 2020.
- **Net result: Euro 1.1 million**, with an increase compared to negative Euro 3.0 million as at 31 March 2020, which is positively impacted for 1.9 million euros by mainly foreign exchange accruals.
- **Net financial indebtedness: Euro 117.7 million**, with an increase compared to Euro 104.4 million as at 31 December 2020 and with a decrease compared to Euro 123.8 million as at 31 March 2020.
- **Total order backlog: Euro 286.3 million**, with an increase compared to Euro 282.4 million as at 31 December 2020, and to Euro 181.7 million as at 31 March 2020.
- **Sustainability:** the Group focuses its technological developments in “green” solutions with a high digital / innovative content. Several initiatives are planned to promote the health and well-being of employees, reduce the environmental impact of business activities and strengthen the relationship with the local communities.

Grassobbio (Bergamo - Italy), 12 May 2021 – The Board of Directors of **Tesmec S.p.A.** (MTA, STAR: TES) (“**Tesmec**” or the “**Company**”), at the head of a group leader in the market of technologies for infrastructures (overhead, underground and railway networks) related to the transport of energy, data and materials (oil and derivatives, gas and water), and of technologies in surface mining, convened today and chaired by **Ambrogio Caccia Dominioni**, examined and approved the **Interim Consolidated Report on Operations as at 31 March 2021**, which recorded a growth in revenues and margins, driven by the relaunch of production activities in the strategic sectors in which the Group operates both compared to the first quarter of the previous year impacted by the spread of the Covid-19 pandemic, and to the first quarter of 2019. The increase in the net financial position is due to the growth in net working capital, necessary to support the growth expected in the second half of the year 2021 and to face the tensions in the procurement and in freight market.

The **Chairman and CEO Ambrogio Caccia Dominioni** commented as follows: *“Even if the pandemic emergency still influences the global economic context, the Group achieved important results in the first quarter of 2021, bringing the revenues of the quarter back to pre-covid levels and recording a growing margin thanks to the*

¹ The EBITDA is represented by the operating income gross of amortization/depreciation. The EBITDA thus defined represents a measurement used by Company management to monitor and assess the company’s operating performance. EBITDA is not recognized as a measure of performance by the IFRS and therefore is not to be considered an alternative measurement for assessing the performance of the Group’s operating income. As the composition of EBITDA is not governed by the reference accounting standards, the criterion for determination applied by the Group may not be in line with the criterion adopted by others and is therefore not comparable.



integration of the various business models, with particular relevance to those that guarantee recurring revenues and to the role played by the 4service Group. The growth in order backlog is confirmed and makes it possible to confirm the expectations of 2021 and the guidance of the Business Plan 2020-2023. The Group's activities are focused on market segments with a high technological content and driven by digital transformation. Furthermore, the focalization towards environmental sustainability and safety issues is growing, and it is reflected in all our strategic choices and in the Group's development plans. Furthermore, this first quarter was characterized by the go-live of the new ERP system, started by the parent company Tesmec S.p.A. and, from the second half of the year, for the subsidiaries of the Group. This tool will allow digital innovation and optimization of all business processes”.

MAIN CONSOLIDATED RESULTS AS AT 31 MARCH 2021

As at **31 March 2021**, Tesmec Group recorded consolidated **Revenues of Euro 49.0 million**, compared to Euro 31.8 million as at 31 March 2020 and to Euro 49.8 million as at 31 March 2019. This change, despite the persistence of a situation of uncertainty in the global context due to the pandemic, brings revenues back to the levels before Covid-19 with better margins thanks to the actions undertaken in 2020 and to the integration of the 4service Group. In detail, revenues from sales were Euro 30.9 million as at 31 March 2021 compared to Euro 19.9 million as at 31 March 2020 and revenues from services and work in progress were Euro 18.1 million as at 31 March 2021 compared to Euro 12.0 million as at 31 March 2020. Services are mainly referred to Trencher segment and consist in rental activities in USA, France, Nord Africa and Oceania.

Results as at 31 March		Revenues from sales and services	
(Euro in thousands)	2021	2020	Change 2021 vs 2020
Trencher	30,963	16,885	+83.7%
<i>Effect on Consolidated Revenues</i>	63.2%	52.9%	
Rail	7,180	7,572	-5.2%
<i>Effect on Consolidated Revenues</i>	14.7%	23.8%	
Energy	10,813	7,410	+45.9%
<i>Effect on Consolidated Revenues</i>	22.1%	23.3%	
Consolidated	48,956	31,837	+53.8%

In detail, the revenues of the **Trencher sector** amounted to **Euro 31.0 million**, with an increase compared to Euro 16.9 million as at 31 March 2020. This performance, despite a not particularly satisfactory trend in the US market impacted by the administrative transition of the new Government, is mainly attributable to the recovery of operations in the sector, compared to the corresponding quarter of the previous year strongly affected by the lock down, and to the first signs of restart in the investment and infrastructure market. Commercial activities did not undergo significant contractions, in fact, as at 31 March 2021 the confirmed order book of the Trencher sector amounted to 84.9 million euros (compared to 60.9 million euros at 31 March 2020).

The **Railway sector** recorder **Revenues** as at 31 March 2021 of **Euro 7.2 million**, with a decrease compared to Euro 7.6 million as at 31 March 2020. This sector was less affected in the previous year by the lock down, therefore, revenues are in line with the expectations of the Group and characterized by a different production



mix compared to first quarter 2020. Also in this sector there was no reduction in commercial activities: the confirmed order backlog was, in fact, equal to Euro 114.4 million as at 31 March 2021 (compared to Euro 82.2 million of euro as at 31 March 2020).

With reference to the **Energy sector, Revenues** as at 31 March 2021 were **Euro 10.8 million**, with an increase compared to Euro 7.4 million as at 31 March 2020. Also in this sector there is a recovery driven by the growth of investments. Therefore, the quarter recorded a strong improvement compared to the first quarter 2020 strongly influenced by the lock down. In particular, the Stringing segment recorded revenues of Euro 7.5 million, with an increase compared to Euro 5.9 million as at 31 March 2020. The Energy Automation segment recorded revenues of Euro 3.3 million, with an increase compared to Euro 1.5 million as at 31 March 2020 and in line with the expectations for the year which foresee an important contribution from this segment on the performance of the sector. The Commercial activities recorded a strong acceleration and in fact the confirmed order backlog amounted to Euro 87.1 million (compared to Euro 38.0 million at March 31, 2020), of which Euro 64.0 million in the Energy Automation segment, which recorded growth for the fourth consecutive quarter, thus confirming the outlook shared in the Business Plan. For the next months the Group expects a strong growth trend in the Energy sector, driven by the energy transition process that is involving the countries in which Tesmec operates.

In geographic terms, Tesmec Group maintains the percentage distribution of sales in line with the last year with a focus in Italy, Europe and North America. A recovery of the activities in the Middle East area should be noted.

The **EBITDA** amounted to **Euro 7.1 million**, with an increase compared to the Euro 2.5 million as at 31 March 2020 and, compared to pre-Covid levels when it amounted to 5.7 million euro as at March 31, 2019. This result is mainly due to the performance of the Trencher sector, and to the Energy sector, in particular to the positive contribution of the Energy-Automation segment. Indeed, the Railway sector is substantially in line with the previous year despite the slight decrease in revenues described above.

The **EBIT** of Tesmec Group amounted to **Euro 1.4 million** as at 31 March 2021, with an increase compared to negative Euro 1.7 million as at 31 March 2020. This result is due to the performance of the period where, despite the continuing uncertainty related to the spread of the pandemic, the Group operated in complete safety and without blocks.

The **Net Financial Expenses** of the Tesmec Group were positive **Euro 0.5 million** as at 31 March 2021, compared to negative Euro 2.4 million as at 31 March 2020. This change was due to exchange rate profit for an amount of around Euro 1.9 million, mainly foreign exchange accruals, with an increase compared to the trend in the last quarter, with an with an opposite and positive performance of the US dollar and related currencies such as the Australian and New Zealand dollar. It should be noted that, to date, the dollar has undergone a depreciation compared to 31 March 2021- closing. This change, in any case, is still higher than the end of last year.

The **Net result** as at 31 March 2021 was **Euro 1.1 million**, with an increase compared to negative Euro 3.0 million as at 31 March 2020.



The **Net financial indebtedness** was **Euro 117.7 million**, with an increase compared to Euro 104.4 million as at 31 December 2020. The increase, compared to 31 December 2020, is linked to the change in operating working capital, which has grown to face the strong tensions in the procurement and freight market and to support ongoing railway projects and the expected backlog in the second half of the year. The net financial indebtedness included Euro 22.2 million of financial liabilities relating to rights of use (IFRS 16), mainly linked to the Grassobbio premises and to the Trencher fleet used for rentals.

The **Total Order Backlog** of the Tesmec Group as at 31 March 2021 amounted to **Euro 286.3 million - Euro 84.9 million** of which referring to the **Trencher segment, Euro 114.4 million** to the **Railway segment** and **Euro 87.0 million** to the Energy segment – with an increase both compared to Euro 282.4 million as at 31 December 2020 and to Euro 181.7 million as at 31 March. The order backlog confirms the resilience of the Group operating in strategic sectors with high potential related to the energy, digital and green transition processes related to the Recovery Plans introduced by the Governments of the countries in which Tesmec operates. The Trencher sector is influenced by the various policies that are being developed for the creation of modern infrastructures. The projects connected to the underground laying of cables and optical fibers are on the rise. In the railway sector, investments have undergone a strong acceleration to meet the new demands linked to the modernization of railway infrastructures. In the Energy sector, the new “smart & security” needs have led to investments aimed at the transition to digital and carbon-free sources.

Summary of financial data are reported below:

<i>(In milioni di Euro)</i>	Actual 2019.Q1	Actual 2020.Q1	Forecast 2021.Q1
Revenues	49.8	31.8	49.0
EBITDA	5.7	2.5	7.1
<i>EBITDA margin</i>	<i>11.5%</i>	<i>7.8%</i>	<i>14.5%</i>
Net financial position	112.5	123.8	117.7

BUSINESS OUTLOOK

Global economic activity continued to expand in the first few months of 2021. The continuing vaccination campaign and the strong monetary and fiscal policy support are reflected in a clear improvement in the medium-term outlook. Nevertheless, the global recovery will depend on the path of the pandemic, economic policy action and future developments in financial conditions. About this, the improvement in the global situation and the approval of the fiscal stimulus package of the Biden administration have led to a marked increase in long-term yields in the United States. On 11 February, in the euro area, the regulation establishing the Recovery and Resilience Facility (RRF) was approved; it will distribute almost 90% of the resources of the European Union's recovery package, Next Generation EU (NGEU), equal to Euro 750 billion overall. In Italy, during March the Government has adopted further support measures, especially for households and firms, and is drawing up the National Recovery and Resilience Plan (NRRP) within the recovery package Next Generation EU.



Considering the above and on the basis of the results achieved during the first quarter of the year, Tesmec believes it can confirm the targets for the year 2021, expecting to achieve a total turnover of approximately Euro 220 million, an EBITDA higher than 16% and a reduction in Net Financial indebtedness compared to the end of 2020. In the Trencher Sector, recurring revenues are expected to grow, driven by the development of rental and after-sales assistance activities, which will allow to get higher EBITDA margins, and, on the other hand, by the rationalization of the product range and standardization of technological platforms in order to have greater efficiency in terms of production and logistics. In the Railway Sector, growth in revenues and margins is expected thanks to the development of diagnostics and recurring services - characterized by higher margins thanks to the greater technological content - to geographical diversification and to the economies of experience. In the Energy Sector, the growth is linked to the execution of orders acquired in the Energy Automation segment and the development prospects expected for the Stringing segment on markets with higher added value, such as USA and Europe. The improvement in margins will be achieved through specific product and commercial strategies for the two business segments, such as: in the Stringing segment, a premium price policy on digital machines, the standardization of the offer in line with the customizations required by customers and the improvement of the procurement process, on the other hand, in the Energy Automation segment, the standardization of products, the exploitation of economies of experience and the change in the mix offered "from products to systems". In addition, the Group expects that the rationalization and cost analysis actions undertaken in 2020 may have a positive impact also in the 2021 across the several business units. During the year, Tesmec expects to mitigate and report the change in working capital, which increased during the first quarter due to external factors linked to the trend of the procurement and freight transport market, within the targets defined in the Business Plan 2020-2023.

Tesmec operates in sectors that will benefit from new investments and development policies aimed at strengthening the key infrastructures of the main countries: the Group's business is focused on strategic sectors that have extreme liveliness and significant growth prospects. Big investments are planned in the Trencher sector to strengthen the telecommunications networks with the consequent increase in excavation and connection projects, as well as strong development in the mining sector. The railway sector is benefiting from an important increase in investments to reduce congestion in the traffic of road vehicles and to increase sustainable mobility, together with important investments in the management of railway lines aimed at assuring the safety of rail transport. The Energy sector is characterized by the transition to renewable energy sources, as well as by the growing importance of the efficiency of the power grids resulting in relevant investments to support these trends.

The effects of these investments, both in terms of general macroeconomic recovery and impact on the Group's activities and volumes, will be all the more evident the faster the process of definition and assignment, by the government authorities, of the interventions related to the so-called Recovery fund made available by the leaders of the European Union institutions.

SUSTAINABILITY PROJECT

In line with the Group's strategy and its development plans, the activities envisaged for the preparation of the Sustainability Plan have begun. This Plan will identify the Group's commitments, objectives and targets in the field of sustainability.



Furthermore, several initiatives have been undertaken in the field of sustainability and others are in progress with the aim of promoting the health and well-being of employees, reducing the environmental impact of business activities and strengthening the relationship with the local communities.

Investments remain focused on digital and “green” technologies, in line with the development plan and the growing attention to sustainability issues that are reflected in all the Group's strategic choices.

COVID-19

During the first quarter of the year, the worsening of the Covid-19 pandemic situation did not prevent the Group from continuing its business activities, even if in a context of high uncertainty that impacted the order intake. The Group cannot exclude that in the very short period there may be slowdowns in activities due to the potential introduction of containment measures to fight the further spread of COVID-19, without, however, affecting the overall forecast related to the 2020-2023 Business Plan in the medium-long term. In fact, the short-term targets and the Business Plan are based on the assumption that the pandemic situation does not lead to the adoption of new restrictive measures similar to the ones adopted in the first part of the 2020 and to a significant worsening of the international macroeconomic scenario.

MAIN EVENTS OCCURRING DURING THE PERIOD UNDER REVIEW

On **22 April 2021**, the Shareholders’ Meeting of Tesmec S.p.A. convened electronically, in ordinary session, on single call, approved the Financial statements 2020 and the allocation of net result. During the Shareholders’ meeting, the Group's Consolidated Financial Statements for the year 2020 including the Non-Financial Statement were also presented. The Shareholders’ Meeting also resolved in favor of the First Section of the Report on Remuneration Policy and remuneration paid pursuant to Article 123-ter of Italian Legislative Decree 58/1998 and Article 84-quater of the Issuers’ Regulation no. 11971/1999 and authorized the Board of Directors to purchase Tesmec ordinary shares.

Treasury shares

At the time of this press release, the Company holds 4,711,879 treasury shares, equal to 0.777% of the Share Capital. The amount is unchanged compared to 31 December 2020.



Conference Call

At 4:00 PM (CET) – 3:00 PM BST, Wednesday 12 May 2021, Ambrogio Caccia Dominioni, Chairman and CEO of Tesmec S.p.A., and the Top Management of the Company will present the consolidated results for the first quarter 2021 to the financial community during a conference call.

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

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The manager responsible for the preparation of the corporate accounting documents, Marco Paredi, declares, pursuant to article 154-bis, paragraph 2, of Legislative Decree No. 58/1998 ("Consolidated Law on Finance") that the information contained in this press release corresponds to the document results, books and accounting records.

Note that in this press release, in addition to financial indicators required by IFRS, there are also some alternative performance indicators (e.g. EBITDA) in order to allow a better understanding of the economic and financial management. These indicators are calculated according to the usual market practice.

The Interim Consolidated Report on Operations as at 31 March 2021 will be available to the public at the administrative office, in Grassobbio (Bergamo) Italy, Via Zanica n. 17/O, through the system eMarket-Storage, at www.emarketstorage.com, through publication on the company website www.tesmec.com, according to law.

For further information:

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This press release is available in the Investors section of the website:

<http://investor.tesmec.com/en/Investors/PressReleases>



Tesmec Group

Tesmec Group is active in the design, production and marketing of systems and integrated solutions for the construction, maintenance and diagnostics of infrastructures (overhead, underground and railway networks) for the transport of energy, data and materials (oil and derivatives, gas and water), as well as technologies for quarries and surface mining. The Group operates in the following sectors: - **Energy**. Tesmec Group designs, manufactures and markets machines and integrated systems for the construction and maintenance of overhead and underground power lines, fibre optic networks (Stringing segment), as well as advanced equipment and systems for the automation, efficiency, management and monitoring of high, medium and low voltage electrical networks and substations (Energy Automation Segment); - **Trencher**. Tesmec Group carries out the design, production, sale and rental of trencher machines functional to four types of activities (excavation and mines, excavations for the installation of pipelines, for the construction of telecommunication and optical fibre infrastructures, excavations for the construction of underground power networks), as well as the provision of specialized excavation services. The trencher machines are rented by the Group both with the operator (hot rental or wet rental) and without the operator (cold rental or dry rental); - **Railway**. The Group designs, manufactures and markets machines and integrated systems for the installation and maintenance of the railway catenary, devices for the diagnostics of the railway catenary and track, as well as customized machines for special operations on the line.

Born in Italy in 1951 and led by the Chairman and CEO Ambrogio Caccia Dominioni, the Group counts on more than 900 employees and has its production sites in Grassobbio (Bergamo), Endine Gaiano (Bergamo), Sirone (Lecco), Monopoli (Bari) and Bitetto (Bari) in Italy, Alvarado (Texas) in the USA and Durtal in France. It relies on three research and development units in Fidenza (Parma), Padua and Patrica (Frosinone). Listed on the STAR segment of the MTA Market of the Italian Stock Exchange, the Group boasts a global commercial presence through foreign subsidiaries and sales offices in the USA, in South Africa, West Africa, Australia, New Zealand, Russia, Qatar and China.

In its development strategy, the Group intends to consolidate its position as a solution provider in the three abovementioned business areas, by exploiting the trends of energy transition, digitalization, and sustainability.

Below are the reclassified statements of balance sheet, income statement, statement of cash flows and the prospectus of sources and uses of the Tesmec Group as at 31 March 2021



Tesmec Group reclassified consolidated income statements

Income statement <i>(€ in thousands)</i>	Aa at 31 March	
	2021	2020
Revenues from sales and services	48,956	31,837
Total operating costs	(47,558)	(33,549)
Operating income	1,398	(1,712)
Financial (income) / expenses	(1,357)	(980)
Foreign exchange gains/losses	1,885	(1,407)
Share of profit / (loss) of associates and joint ventures	57	(9)
Pre-tax profit	1,983	(4,108)
Net profit for the period	1,101	(2,992)
EBITDA	7,094	2,469
EBITDA (% on revenues)	14.5%	7.8%



Tesmec Group reclassified consolidated statements of financial position

Balance sheet	31 March 2021	31 March 2020
<i>(€ in thousands)</i>		
Total non-current assets	115,580	103,325
Total current assets	252,127	184,913
Total assets	367,707	288,238
Total non-current liabilities	116,883	76,788
Total current liabilities	179,048	168,115
Total liabilities	295,931	244,903
Total shareholders' equity	71,776	43,335
Total shareholders' equity and liabilities	367,707	288,238



Tesmec Group other consolidated financial information

Summary of the cash flow statement (€ in thousands)	As at 31 March	
	2021	2020
Net cash flow generated by (used in) operating activities (A)	(15,747)	(473)
Net cash flow generated by (used in) investing activities (B)	(857)	(5,120)
Net cash flow generated by financing activities (C)	(401)	(1,628)
Total cash flow for the period (D=A+B+C)	(16,995)	(7,221)
Cash and cash equivalents at the beginning of the period (F)	70,426	17,935
Effect of exchange-rate changes on cash and cash equivalents (E)	163	(301)
Cash and cash equivalents at the end of the period (G=D+E+F)	53,594	10,413



Tesmec Group other consolidated financial information

Funding Sources and Uses

((€ in thousands)	<u>As at 31 March 2021</u>	<u>As at 31 March 2020</u>
Net working capital ²	86,523	74,642
Fixed assets	95,882	87,591
Other long-term assets and liabilities	7,076	4,879
Net invested capital ³	<u>189,481</u>	<u>167,112</u>
Net financial indebtedness ⁴	117,705	123,777
Shareholders' equity	71,776	43,335
Total sources of funding	<u>189,481</u>	<u>167,112</u>

² The net working capital is calculated as current assets net of current liabilities excluding financial assets and financial liabilities. Net working capital is not recognized as a measure of performance by the IFRS. The valuation criteria applied by the Company may not necessarily be the same as those adopted by other groups and therefore the balance obtained by the Company may not necessarily be comparable therewith.

³ The net invested capital is calculated as net working capital plus fixed assets and other non-current assets less non-current liabilities. The net invested capital is not recognized as a measure of performance under IFRS. The valuation criteria applied by the Company may not necessarily be the same as those adopted by other groups and therefore the balance obtained by the Company may not necessarily be comparable therewith.

⁴ The net financial indebtedness is calculated as the sum of cash and cash equivalents, current financial assets including available-for-sale securities, non-current financial liabilities, fair value of hedging instruments and other non-current financial assets.

Fine Comunicato n.1155-13

Numero di Pagine: 14