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Informazione Regolamentata n. 1155-21-2021	Data/Ora Ricezione 05 Agosto 2021 12:59:47	MTA - Star
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Societa' : TESMEC
Identificativo : 150898
Informazione
Regolamentata
Nome utilizzatore : TESMECN03 - Turani
Tipologia : 1.2
Data/Ora Ricezione : 05 Agosto 2021 12:59:47
Data/Ora Inizio : 05 Agosto 2021 12:59:48
Diffusione presunta
Oggetto : Tesmec S.p.A. - The Board of Directors
approved First Half 2021 results

Testo del comunicato

Vedi allegato.



TESMEC S.P.A.: THE BOARD OF DIRECTORS APPROVED THE INTERIM CONSOLIDATED FINANCIAL REPORT AS AT 30 JUNE 2021, THAT RECORDS A STRONG INCREASE IN PROFITABILITY AND NET RESULT

Main consolidated results of the first half 2021 (compared to the first half 2020):

- **Revenues: Euro 96.9 million**, with an increase compared to Euro 70.8 million as at 30 June 2020;
- **EBITDA¹: Euro 13.7 million**, with an increase compared to Euro 8.2 million as at 30 June 2020;
- **EBIT: positive Euro 2.9 million**, with an increase compared to negative Euro 1.6 million as at 30 June 2020;
- **Net result: positive Euro 1.0 million**, with an increase compared to negative Euro 3.9 million as at 30 June 2020, which is positively impacted for 1.1 million euros by unrealized foreign exchange gains;
- **Net financial indebtedness²: Euro 118.5 million**, slightly increasing compared to Euro 117.7 million as at 31 March 2021 but decreasing compared to Euro 143.0 million as at 30 June 2020;
- **Total order backlog: Euro 270.2 million**, compared to Euro 282.4 million as at 31 December 2020 and to Euro 194.2 million as at 30 June 2020.
- **Sustainability:** the growing attention to sustainability issues is confirmed by Tesmec, and it is reflected in all the strategic choices of the Group. The share of “green” turnover is growing. In its related business areas, the Group continues to promote innovation policies in line with the trends of the energy transition, digitalization and sustainability.

Grassobbio (Bergamo - Italy), 5 August 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 financial report as at 30 June 2021**, that records a clear improvement in all indicators compared to 30 June 2020. The first half records, although slowed by external factors that caused delays in production and deliveries, revenues in line compared to revenues as at 30 June 2019, and a marked improvement in profitability and net result compared to the same period. The net financial position was affected by the increase in net working capital for the period and by the delay in collections related to customer advances of railway sector contracts, envisaged in the next six months.

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.

² The net financial indebtedness is calculated as the sum of cash and cash equivalents, current financial assets including available-for-sale securities, current and non-current financial liabilities, including leasing liabilities, fair value of hedging instruments and excluding non-current trade and other payables.



In the second half of 2021, as long as the pandemic situation remains stable, revenues are expected to be in line with the Business Plan, as well as an improvement in profitability and in the net financial position due to the generation of cash following the reduction in net working capital.

The **Chairman and CEO Ambrogio Caccia Dominioni** commented as follows: *"In these first six months of 2021, Tesmec has achieved positive results, in line with the Plan's forecasts, despite the persistence of a globally uncertain moment. The profitability is growing thanks to the integration of the various business models. The quality of the order backlog allows us to look to the future with confidence, confirming 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. In particular, we want to continue to invest in sustainability where we confirm our commitment as a Group. The share of "green" turnover is growing, and our strategy is to promote a sustainable approach in all our activities. The Group is implementing operational efficiency activities as planned by the business plan, with the aim of generating cash flows and reducing Net Financial Indebtedness. In light of the results obtained, we can plan the future with a view to profitable growth, thanks to our competitive positioning in strategic markets, our innovative technologies, our competence, internationally recognized, and our constantly evolving organization. The market is recognizing the efforts of the Group in positioning itself in strategic sectors for the relaunch plans of the different countries of reference and in focusing on the quality of the turnover increasingly devoted to sustainability. "*

MAIN CONSOLIDATED RESULTS AS AT 30 JUNE 2021

As at **30 June 2021**, Tesmec Group recorded consolidated **Revenues of Euro 96.9 million**, with an increase compared to Euro 70.8 million as at 30 June 2020 and broadly in line compared to Euro 97.5 million as at 30 June 2019, although the first half was still affected by the critical issues relating to freight rates and tensions in the supply chain, which led to delays in the production and delivery of finished products. 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 the period. In detail, revenues from sales were Euro 62.3 million as at 30 June 2021 compared to Euro 47.5 million as at 30 June 2020 and revenues from services and work in progress were Euro 26.7 million compared to Euro 18.3 million as at 30 June 2020. Services are mainly referred to Trencher segment and consist in rental activities in USA, France, Africa and Oceania. The recovery in volumes is concentrated in the Trencher sector especially in the renewable energies and in the Energy Automation segment. The railway segment, on the other hand, records some delays in the start-up of projects.

Results as at 30 June (Euro in thousands)	Revenues from sales and services		
	2021	2020	Change 21 vs 20
Trencher	58,879	40,816	18,063
<i>Effect on Consolidated Revenues</i>	60.7%	57.7%	
Rail	14,506	13,207	1,299
<i>Effect on Consolidated Revenues</i>	15.0%	18.7%	
Energy	23,517	16,770	6,747
<i>Effect on Consolidated Revenues</i>	24.3%	23.6%	
Consolidated	96,902	70,793	26,109



In detail, the revenues of the **Trencher sector** amounted to **Euro 58.9 million**, with an increase compared to Euro 40.8 million as at 30 June 2020, albeit impacted by the aforementioned delays in the supply chain. Growth was mainly recorded in the energy sector and in the renewable energies sector, with an increase in the share of sustainable turnover. This performance is mainly due to the recovery of activities in this sector compared to the first half of the previous year, strongly influenced by the lock down period, as well as by the first signals of restart in the investments and infrastructure market. Commercial activities are continuing, in fact, as at 30 June 2021 the order backlog of the Trencher sector amounted to 82 million euros (compared to Euro 68 million as at 30 June 2020).

The **Railway sector** recorder **Revenues** as at 30 June 2021 of **Euro 14.5 million**, with an increase compared to Euro 13.2 million as at 30 June 2020. This sector was less affected in the previous year by the lock down period, therefore, revenues are in line with the Group expectations and are characterized by a different production mix compared to the first half of 2020, which contributed to better margins. In the Railway sector the order backlog is equal to Euro 107.1 million as at 30 June 2021 (compared to Euro 77.2 million as at 30 June 2020).

With reference to the **Energy sector, Revenues** as at 30 June 2021 were **Euro 23.5 million**, with an increase compared to Euro 16.8 million as at 30 June 2020. Also in this sector there is a recovery driven by the growth of investments and therefore the first half recorded a clear improvement compared to the corresponding period of the previous year, strongly influenced by the lock down period. In particular, the Stringing segment recorded revenues of Euro 16.1 million, with an increase compared to Euro 13.1 million as at 30 June 2020, while the Energy Automation segment recorded revenues of Euro 7.4 million, with an increase compared to Euro 3.7 million as at 30 June 2020. The commercial activities recorded a strong acceleration and in fact the order backlog amounted to Euro 81.1 million (compared to Euro 49.0 million at 30 June 2020), of which Euro 61.2 million in the Energy Automation segment. 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 an increase in Europe offset by a decrease in North America. A recovery of the activities in the Middle East area should be noted.

The **EBITDA** amounted to **Euro 13.7 million**, with an increase compared to the Euro 8.2 million as at 30 June 2020 and compared to pre-Covid levels when it amounted to Euro 12.1 million as at 30 June 2019. This result is mainly due to the positive impact of the efficiency actions undertaken in the period, to the recurring revenues of the Trencher segment, and to the increase in the contribution of the Energy sector.

The **EBIT** of Tesmec Group amounted to **Euro 2.9 million** as at 30 June 2021, with an increase compared to negative Euro 1.6 million as at 30 June 2020.

The **Net Financial Expenses** of the Tesmec Group were negative **Euro 1.1 million** as at 30 June 2021, compared to Euro negative 3.7 million as at 31 June 2020. This change was due to exchange rate gains for an amount of around Euro 1.1 million, mainly unrealized, with an increase compared to last quarter, due to an opposite and positive performance of the US dollar.



The **Net result** as at 30 June 2021 was positive **Euro 1.0 million**, with an increase compared to negative Euro 3.9 million as at 30 June 2020.

The **Net financial indebtedness** was **Euro 118.5 million**, compared to Euro 117.7 million as at 31 March 2021 and to Euro 104.4 million as at 31 December 2020. The increase is related 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 of deliveries in the second half of the year. The net financial indebtedness included Euro 21.6 million of financial liabilities relating to rights of use (IFRS 16), mainly related to the Grassobbio premises and to the Trencher rental fleet.

The **Total Order Backlog** of the Tesmec Group as at 30 June 2021 amounted to **Euro 270.2 million – Euro 82 million** of which referring to the **Trencher segment, Euro 107.1 million** to the **Railway segment** and **Euro 81.1 million** to the Energy segment –compared to Euro 286.3 million as at 31 March 2021 and to Euro 194.2 million as at 30 June 2020. The order backlog confirms the strong presence of the Group in strategic sectors with high potential related to the energy, digital and green transition processes driven by the Recovery Plans introduced by the Governments of the countries in which Tesmec operates.

Summary of financial data are reported below:

(Euro million)	Actual	Actual	Actual
	2019.1H	2020.1H	2021.1H
Revenues	97.5	70.8	96.8
Ebitda	12.1	8.2	13.7
<i>Ebitda Margin</i>	12.4%	11.5%	14.2%
Ebit	3.3	(1.6)	2.9
Net result	0.5	(3.9)	1.0
Net financial indebtedness	112,5	143,0	118,5

BUSINESS OUTLOOK

Considering the current international economic framework characterized by strong public interventions to stimulate the economy and the persistence of the ongoing pandemic situation, Tesmec confirms 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. The guidance of the Business Plan 2020-2023 is confirmed. In the second half, the Group expects to transfer on its selling prices the possible increase in costs caused by inflation.

During the second half 2021, Tesmec expects to mitigate and reverse the change in working capital, which increased during the first quarter due to external factors linked to the trend of the procurement and freight market, within the targets defined in the Business Plan. This reduction will have a positive impact on the Net Financial Debt which is expected to improve thanks to the expected installments in the railway sector. The Group's priority remains the reduction of Financial Debt, bringing it to the levels defined by the Plan, before concentrating on the investments envisaged for the consolidation of the businesses in which Tesmec operates.



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 vitality and significant growth prospects. Huge investments are planned in the Trencher sector to strengthen the telecommunications networks with the consequent increase in excavation and connection projects, as well as a 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 maintenance 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

The activities related to the preparation of the Sustainability Plan with the identification of sustainability commitments, objectives and targets are ongoing.

The development plans are focused on digital and sustainable technologies, with increasing attention to reducing the environmental impact of the business. In line with the Group's strategy, the share of turnover with a "green" footprint is growing and the Management confirms the commitment and priority given to investments with a high sustainable impact.

Among the initiatives undertaken, three "Plastic less" projects were launched aimed at raising awareness and disseminating a culture of sustainability among employees. Tesmec is also implementing several projects in compliance with the principles of WHP - Workplace Health Promotion, the program promoted by the World Health Organization (WHO) and put in place by the Health Protection Agency (ATS) of Bergamo, aimed at the progressive implementation of good practices and effective and sustainable actions on several issues, including health promotion at work.

COVID-19

During the first half of the year, 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 **10 April 2021** the bond “Tesmec S.p.A. 6% 2014-2021” was repaid for the entire amount of 15 million euros.

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.

On **31 May 2021** Tesmec S.p.A. announced that **Cerved Rating Agency**, the Italian rating agency specialized in the credit rating assessment of non-financial businesses, confirmed the solicited rating “B1.2” of the Company.

On **1 June 2021** Tesmec S.p.A. announced the signature, via its subsidiary Tesmec Automation S.r.l., of a framework agreement with Terna Rete Italia S.p.A., for the supply of Substation Automation systems for high voltage substations based on SAS platform (ASAT-3), with a total value of Euro 12 million (Euro 8 million plus Euro 4 million in option), that will come into force after the successful approval of the prototype and Terna’s requirements.

MAIN EVENTS OCCURRING AFTER THE PERIOD UNDER REVIEW

On **20 July 2021**, the parent Company Tesmec S.p.A. has signed a loan agreement of Euro 5 million with the credit institute Intesa San Paolo S.p.A..

On **29 July 2021**, the parent Company Tesmec S.p.A. has signed a loan agreement of Euro 20 million with three credit institutions in Pool: CdP (Cassa Depositi e Prestiti S.p.A.), Finlombarda S.p.A. and Banca del Mezzogiorno - Mediocredito Centrale S.p.A.

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 2:30 PM (CET) – 1.30 PM (BST) of today, Thursday 5 August 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 half of 2021 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
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from USA: +1 718 7058794

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 30 June 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.

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This press release is also available on www.tesmec.com in the "Investors" section:
<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 30 June 2021.



Tesmec Group reclassified consolidated income statements

Income statement <i>(€ in thousands)</i>	As at 30 June	
	2021	2020
Revenues from sales and services	96,902	70,793
Total operating costs	(94,039)	(72,355)
Operating income	2,863	(1,562)
Financial (income) / expenses	(2,323)	(2,659)
Foreign exchange gains/losses	1,138	(1,046)
Share of profit / (loss) of associates and joint ventures	78	(24)
Pre-tax profit	1,756	(5,291)
Net profit for the period	1,013	(3,916)
EBITDA	13,724	8,163
EBITDA (% on revenues)	14.2%	11.5%



Tesmec Group reclassified consolidated statements of financial position

Balance sheet	30 June 2021	31 December 2020
<i>(€ in thousands)</i>		
Total non-current assets	126,457	122,475
Total current assets	221,671	240,474
Total assets	348,128	362,949
Total non-current liabilities	114,770	110,468
Total current liabilities	161,971	183,033
Total liabilities	276,741	293,501
Total shareholders' equity	71,387	69,448
Total shareholders' equity and liabilities	348,128	362,949



Tesmec Group other consolidated financial information

Summary of the cash flow statement

(€ in thousands)

	As 30 June	
	2021	2020
Net cash flow generated by (used in) operating activities (A)	(1,620)	(7,112)
Net cash flow generated by (used in) investing activities (B)	(13,032)	(27,996)
Net cash flow generated by financing activities (C)	(16,249)	42,429
Total cash flow for the period (D=A+B+C)	(30,901)	7,321
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)	160	(198)
Cash and cash equivalents at the end of the period (G=D+E+F)	39,685	25,058



Tesmec Group other consolidated financial information

Funding Sources and Uses

(In migliaia di Euro)	<u>As at 30 June 2021</u>	<u>As at 31 June 2020</u>
Net working capital ³	76,199	64,256
Fixed assets	100,074	99,530
Other long-term assets and liabilities	13,607	10,032
Net invested capital ⁴	<u>189,880</u>	<u>173,818</u>
Net financial indebtedness ⁵	118,493	104,370
Shareholders' equity	71,387	69,448
Total sources of funding	<u>189,880</u>	<u>173,818</u>

³ 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.

⁴ 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.

⁵ 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.1155-21

Numero di Pagine: 14