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Oggetto : Tesmec S.p.A.- The BoD approved the
Interim consolidated financial report as at
30 September 2021

Testo del comunicato

Vedi allegato.



TESMEC S.P.A.: THE BOARD OF DIRECTORS APPROVED THE INTERIM CONSOLIDATED FINANCIAL REPORT AS AT 30 SEPTEMBER 2021, WHICH SHOWS AN INCREASE IN REVENUES TO PRE-COVID LEVELS, A MARKED IMPROVEMENT IN MARGINS AND A CONSOLIDATION OF PROFIT. UPDATED THE YEAR-END GUIDANCE AS PER PREVIOUS PRESS RELEASE.

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

- **Revenues: Euro 144.2 million**, with an increase compared to Euro 116.8 million as at 30 September 2020;
- **EBITDA¹: Euro 21.2 million**, with an increase compared to Euro 15.7 million as at 30 September 2020;
- **EBIT: positive Euro 4.8 million**, with an increase compared to Euro 0.2 million as at 30 September 2020;
- **Net result: positive Euro 2.0 million**, with an increase compared to negative Euro 4.8 million as at 30 September 2020;
- **Net financial indebtedness²: Euro 116.5 million**, a slightly improvement compared to Euro 118.5 million as at 31 June 2021 and compared to Euro 137.8 million as at 30 September 2020; at 31 December 2020 it was Euro 104.4 million;
- **Total order backlog: Euro 262.6 million**, compared to Euro 270.2 million as at 30 June 2021 and to Euro 238.0 million as at 30 September 2020.
- **Outlook:** Confirmed revenues over Euro 200 million, EBITDA adjusted but higher than 15% and a net financial indebtedness lower than Euro 110 million.
- **Sustainability:** the Group is preparing the guidelines of the sustainability plan that will direct development and investments for the coming years. This confirms Tesmec commitment to promoting sustainability as an asset of strategic importance in the medium-long term growth of the Group.

Grassobbio (Bergamo - Italy), 5 November 2021 – The Board of Directors of **Tesmec S.p.A.** (EURONEXT STAR MILAN: 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 September 2021**. The third quarter confirmed the trend of the first half of the year with revenues at pre-covid levels, albeit slowed down by external factors that caused production and delivery delays, and a marked improvement in margins and profit compared to 30 September 2019, despite the performance in Australia under expectations due to the prolonged lock down. Revenues, however, did not align to the expected targets of the period due to the delays generated in the American market, where the Group has not yet achieved the benefits of the growth trends in the industrial sectors where Tesmec operates and for

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.



which the necessary organizational countermeasures have been initiated, culminating with the appointment of a new CEO, whose goal is to seize the opportunities provided for the 2022 financial period. The net financial position improved compared to both 30 June 2021, and 30 September 2020, but was impacted by the increase in net working capital for the period and the delay in collections related to installments on contracts in the Rail segment.

The **Chairman and CEO Ambrogio Caccia Dominioni** commented as follows: *"The first nine months of 2021 were particularly challenging for our Group, which, despite an uncertain macroeconomic framework due to the persistence of the uncertainties generated by the pandemic and the criticalities in the supply chain and freights, closes with revenues in line with those of the first nine months of 2019, but with a marked improvement in margins and net result, generated by the integration of the various business models and the contribution of sectors in which Tesmec has invested and had faith in over recent years, the Energy Automation segment and the Rail sector. These factors allow us to be confident about 2021 and the Plan period. Therefore, we intend to continue the development of our business in strategic sectors by taking advantage of the relaunch plans of the various reference countries, thanks to our innovative technologies, our internationally recognized expertise and our evolving organization. Our objective will be to also focus on sustainability, with a percentage of "green" turnover in our growth combined with a sustainable approach in all our businesses. The Group confirms the guidelines of its Business Plan, which aim to consolidate business, making investments with a high sustainable impact and implementing initiatives linked to operational efficiency in order to generate cash flow and reduce Net Financial Indebtedness."*

MAIN CONSOLIDATED RESULTS AS AT 30 SEPTEMBER 2021

As at **30 September 2021**, Tesmec Group recorded consolidated **Revenues of Euro 144.2 million**, with an increase compared to Euro 116.8 million as at 30 September 2020 and broadly in line compared to Euro 144.2 million as at 30 September 2019. This change, despite the persistence of a situation of uncertainty in the global context, brings revenues back to pre-COVID levels but with improved margins thanks to a sales mix with higher added value generated by the Energy and Rail sectors and to the efficiency actions undertaken in the period throughout the structure. In particular, revenues from sales of products and changes in work in progress of Euro 105.3 million were recorded at 30 September 2021, up from Euro 89.4 million at 30 September 2020, as well as revenues from services rendered of Euro 38.9 million, up from Euro 27.4 million at 30 September 2020. Services rendered mainly concern the Trencher segment and are represented by the machinery rental business in various countries.

Results at 30 September (Euro in thousands)	Revenues from sales and services		
	2021	2020	Changes 21 vs 20
Trencher	84,908	66,217	18,691
<i>Effect on consolidated revenues</i>	58.9%	57.5%	
Rail	22,781	21,428	1,353
<i>Effect on consolidated revenues</i>	15.8%	18.0%	
Energy	36,495	29,187	7,308
<i>Effect on consolidated revenues</i>	25.3%	24.5%	



Consolidated	144,184	116,832	27,352
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In detail, the revenues of the **Trencher sector** amounted to **Euro 84.9 million**, with an increase compared to Euro 66.2 million as at 30 September 2020, albeit impacted by the aforementioned delays in the supply chain and performance in the USA where the Group is facing a change in the business model to seize the market opportunities also thanks to the appointment of the new CEO. Growth was recorded mainly in the renewable energy and Telecom sectors, with an increase in the share of sustainable revenues. As at 30 September 2021, the Trencher segment's order backlog was Euro 79.2 million (compared to Euro 92.0 million at 30 September 2020).

The **Railway sector** recorder **Revenues** as at 30 September 2021 of **Euro 22.8 million**, with an increase compared to Euro 21.4 million as at 30 September 2020. This sector was less affected in the previous year by the lock down period, therefore, revenues were affected by the delayed start-up of new Projects that impact the short term and not the medium-long term outlook. In the rail sector, the confirmed order backlog amounted to Euro 98.8 million at 30 September 2021 (compared to Euro 69.0 million at 30 September 2020) with further growth expected in the last quarter of the year.

With reference to the **Energy sector, Revenues** as at 30 September 2021 were **Euro 36.5 million**, with an increase compared to Euro 29.2 million as at 30 September 2020. Also in this sector there is a recovery driven by the growth of investments. In particular, the Stringing segment recorded revenues of Euro 24.3 million, with an increase compared to Euro 20.9 million as at 30 September 2020, while the Energy Automation segment recorded revenues of Euro 12.2 million, with an increase compared to Euro 8.2 million as at 30 September 2020. The commercial activities recorded a strong acceleration and in fact the order backlog amounted to Euro 84.6 million (compared to Euro 77.0 million at 30 September 2020), of which Euro 69.5 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 substantially in line with the first nine months of the last financial period, with an increase in Europe offset by a slowdown in North America and Australia, and a recovery of activities in the Middle East.

The **EBITDA** amounted to **Euro 21.2 million**, with an increase compared to the Euro 15.7 million as at 30 September 2020 and compared to pre-Covid levels when it amounted to Euro 17.4 million as at 30 September 2019. This result is mainly attributable to the performance of the Energy and Rail sectors, characterized by products with higher added value and technology in line with the expectations of the 2020-2023 Business Plan, and to the rationalizations undertaken in the period, which offset a negative performance of the Trencher segment in Australia and the US market.

The **EBIT** of Tesmec Group amounted to **Euro 4.8 million** as at 30 September 2021, a strong increase compared to Euro 0.2 million as at 30 September 2020.

The **Net Financial Expenses** of the Tesmec Group were negative **Euro 1.6 million** as at 30 September 2021, compared to Euro negative 6.6 million as at 31 September 2020. This change is attributable to foreign



exchange gains of approximately Euro 1.9 million, mainly unrealised, which improved compared to the trend of the reference period, with a contrary and positive performance of the US dollar.

The **Net result** as at 30 September 2021 was positive **Euro 2.0 million**, with an increase compared to negative Euro 4.8 million as at 30 September 2020.

The **Net financial indebtedness** was **Euro 116.5 million**, compared to Euro 118.5 million as at 31 June 2021 and compared to Euro 137.8 million as at 30 September 2020. At 31 December 2020 it was Euro 104.4 million. The change compared to the end of the 2020 financial period is mainly related to the increase in operating working capital, particularly in the inventory item, which grew to meet commitments in the last quarter, and tensions in the supplies and rental market. The net financial indebtedness included Euro 19.9 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 September 2021 amounted to **Euro 262.5 million** – **Euro 79.2 million** of which referring to the **Trencher segment**, **Euro 98.8 million** to the **Railway segment** and **Euro 84.6 million** to the Energy segment – compared to Euro 238.0 million as at 30 September 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)	Balance	Balance	Balance
	2019.9M	2020.9M	2021.)m
Revenues	144.2	116.8	144.2
Ebitda	17.4	15.7	21.2
<i>Ebitda Margin</i>	<i>12.1%</i>	<i>13.4%</i>	<i>14.7%</i>
Ebit	3.9	0.2	4.8
Net result	0.7	(4.8)	2.0
Net financial indebtedness	115.6	137.8	116.5

BUSINESS OUTLOOK

In relation to the slowdown of operations in the U.S. market, Tesmec has revised its closing estimates for the 2021 financial period, confirming revenues over Euro 200 million, EBITDA above 15% and Net Financial Indebtedness below Euro 110 million.

The change in the year-end outlook is attributable to the *gap* generated in the US market in the various reference businesses, in particular the Trencher segment, amounting to approximately Euro 20 million, which led to a correction of the previous estimate of Euro 220 million. In terms of margins, the lag in revenues and the *performance* in Australia lead to a revision of the EBITDA estimate to the aforementioned percentages compared to the previous estimate of over 16%. In terms of Net Financial Indebtedness, Tesmec expects to mitigate and reverse the change in working capital, which increased due to exogenous factors linked to the



trend in the supplies and rental market. This reduction will have a positive impact on the Net Financial Indebtedness that is expected to improve, also thanks to the expected installments in the railway sector, compared to the end of the period at 30 September 2021, reaching a value lower than Euro 110 million, but not in line with the previous estimate which forecast a reduction compared to the end of the 2020 period.

The Group, despite the delays in terms of revenues and margins in the current financial period, confirms its expenditure guidelines for the 2020_2023 Plan. In fact, Tesmec is active 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 concentrated in strategic sectors that are extremely lively and have significant growth prospects. Huge investments are planned in the Trencher segment to strengthen and digitalize telecommunications networks in addition to strong development in the mining sector. The Rail segment is benefiting from a significant increase in investments to reduce traffic congestion of road vehicles and increase sustainable mobility, as well as for the maintenance of lines with the aim of ensuring the safety of rail transport. In the Energy segment, the transition to renewable energy sources is confirmed, with consequent updated of the power grids due to this trend.

The effects of these investments, both in terms of the general macroeconomic recovery and in terms of their impact on the Group's activities and volumes, will be all the more evident the faster the government authorities define and assign the actions linked to the so-called Recovery Fund made available by the institutions of the European Union.

The priority of the Group remains the reduction of debt, bringing it to the levels defined by the Plan. Eventual investments must be compatible with this target.

SUSTAINABILITY PROJECT

Sustainability is considered a strategically important asset in the Group's medium/long-term growth path.

Tesmec Management is therefore working to prepare the guidelines of the sustainability plan that will guide the development and investment in the coming years, setting specific priorities in terms of ESG: design of a sustainability governance framework, increasing the share of green & digital technical solutions, paying particular attention to climate issues and strengthening the relationship with the region and the welfare of human resources.

Sustainability, after all, is an integral part of the Group's business: the creation of modern and digital infrastructures, the installation of fibre optic cables for widespread connectivity, the modernisation and securing of rail networks, the increase in sustainable mobility, the switch to the use of renewable energy sources, as well as the growing importance of strong, efficient power networks (Strong & Smart Grids) are key aspects of a sustainable development approach.

Therefore, the Tesmec strategy confirms a focus on sustainable innovation projects, through the promotion of digital and green technologies, with increasing attention paid to the reduction of the environmental impact of operations.



COVID-19

During the first nine months of the year, the COVID-19 pandemic did not prevent the Group from continuing its operations, albeit within a context of elevated uncertainty that impacted the order collection, which was in any case high. The potential introduction of additional forms of restrictions to cope with the further spread of COVID-19 cannot lead to the Group excluding the possibility of a very short-term slowdown, without, however, affecting the overall forecasts for the 2020-2023 Business Plan in the medium to long term. In fact, the short-term objectives and the Plan are based on the assumption that the pandemic situation does not entail the adoption of new restrictive measures similar to those imposed in the first part of 2020 and a significant worsening of the international macroeconomic scenario.

MAIN EVENTS OCCURRING DURING THE PERIOD UNDER REVIEW

On **20 July 2021**, the parent company Tesmec S.p.A. signed a loan agreement with Intesa San Paolo S.p.A. for Euro 5 million.

On **29 July 2021**, the parent company Tesmec S.p.A., with the support of Banca Finint as sole arranger of the transaction, signed a syndicated loan agreement of Euro 20 million with three banks: CdP (Cassa Depositi e Prestiti S.p.A.), Finlombarda S.p.A. and Banca del Mezzogiorno - Mediocredito Centrale S.p.A.

On **22 September 2021**, Tesmec S.p.A. marked the 70th anniversary of its foundation with an event at the Accademia Carrara in Bergamo, which celebrated a story of growth and continuous evolution but above all presented the development of the Group as it stands today: a true tech company, leader in 'innovability', i.e. in projects that combine innovation and sustainability from a social and/or environmental point of view, whilst remaining attentive to R&D activities and being capable of producing systems in which the technological component is even greater than the mechanical.

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, Friday 5 November 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:

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from UK: +44 121 281 8003
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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 30 September 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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<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 September 2021.



Tesmec Group reclassified consolidated income statements

Income statement <i>(€ in thousands)</i>	As at 30 September	
	2021	2020
Revenues from sales and services	144,184	116,832
Total operating costs	(139,343)	(116,665)
Operating income	4,841	167
Financial (income) / expenses	(3,561)	(3,849)
Foreign exchange gains/losses	1,948	(2,777)
Share of profit / (loss) of associates and joint ventures	(6)	18
Pre-tax profit	3,222	(6,441)
Net profit for the period	2,055	(4,793)
EBITDA	21,176	15,685
EBITDA (% on revenues)	14.7%	13.4%



Tesmec Group reclassified consolidated statements of financial position

Balance sheet	30 September 2021	31 December 2020
<i>(€ in thousands)</i>		
Total non-current assets	123,059	122,475
Total current assets	239,411	240,474
Total assets	362,470	362,949
Total non-current liabilities	133,344	110,468
Total current liabilities	156,038	183,033
Total liabilities	289,382	293,501
Total shareholders' equity	73,088	69,448
Total shareholders' equity and liabilities	362,470	362,949



Tesmec Group other consolidated financial information

Summary of the cash flow statement

(€ in thousands)

	As 30 September	
	2021	2020
Net cash flow generated by (used in) operating activities (A)	1,303	1,086
Net cash flow generated by (used in) investing activities (B)	(16,844)	(32,639)
Net cash flow generated by financing activities (C)	(6,578)	62,916
Total cash flow for the period (D=A+B+C)	(22,119)	31,363
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)	202	(412)
Cash and cash equivalents at the end of the period (G=D+E+F)	48,509	48,886



Tesmec Group other consolidated financial information

Funding Sources and Uses

(In migliaia di Euro)	<u>As at 30 September 2021</u>	<u>As at 31 December 2020</u>
Net working capital ³	79,580	64,256
Fixed assets	98,653	99,530
Other long-term assets and liabilities	11,390	10,032
Net invested capital ⁴	<u>189,623</u>	<u>173,818</u>
Net financial indebtedness ⁵	116,535	104,370
Shareholders' equity	73,088	69,448
Total sources of funding	<u>189,623</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.1155-27

Numero di Pagine: 14