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Oggetto : Tesmec S.p.A. - The Board of Directors
approved First Quarter 2022 results

Testo del comunicato

Vedi allegato.



TESMEC S.P.A.: THE BOARD OF DIRECTORS APPROVED INTERIM REPORT ON OPERATIONS AS AT 31 MARCH 2022, THAT RECORDED A STRONG IMPROVEMENT OF THE MAIN ECONOMIC RESULTS FOR THE PERIOD THANKS TO A BALANCED AND POSITIVE CONTRIBUTION OF ALL THE GROUP'S BUSINESS SECTORS

Main consolidated results of first quarter 2022 (vs first quarter 2021):

- **Revenues: Euro 55.9 million**, with an increase compared to Euro 49.0 million as at 31 March 2021;
- **EBITDA¹: Euro 8.3 million**, with an increase compared to Euro 7.1 million as at 31 March 2021;
- **EBIT: Euro 2.9 million**, with an increase compared to negative Euro 1,4 million as at 31 March 2021;
- **Net result: Euro 2.0 million**, with an increase compared to Euro 1.1 million as at 31 March 2021;
- **Net financial indebtedness²: Euro 119.4 million**, compared to Euro 121.0 million as at 31 December 2021 and compared to Euro 117.7 million as at 31 March 2021;
- **Total order backlog: Euro 289.6 million**, with an increase compared to Euro 284.2 million as at 31 December 2021, and to Euro 286.3 million as at 31 March 2021;
- **Outlook 2022:** expected revenues over Euro 240 million, EBITDA higher than 16%, a marked improvement in the net result and a reduction in Net Financial Debt;
- **Sustainability:** The Group has undertaken an organic path to implement the commitments defined in the Sustainability Policy, through actions in line with both the business strategy and with the United Nations 2030 Agenda for Sustainable Development.

Grassobbio (Bergamo - Italy), 10 May 2022 – The Board of Directors of **Tesmec S.p.A.** (EURONEXT STAR MILAN 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 Report on Operations as at 31 March 2022**, that recorded a general improvement of all the main economic and financial indicators of the period due to the confirmation of the growth trend in the turnover of the Railway and Energy sectors and the recovery of the American market for Trencher sector. Although the Group was affected by the general context of uncertainty, due to inflationary pressures, both in relation to the cost of purchasing materials and the energy component, the margin recorded an increase in the quarter.

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.



To handle with these changes, Tesmec has taken the necessary actions, working on efficiency, innovation, and adjustment of price lists for products and services, and starting negotiations with the competent contracting authorities in the event of medium-long term supply contracts. Net financial debt slightly improved compared to the previous year, despite the logistic and supply criticalities that are impacting on net working capital in particular on stock levels and security stocks.

The **Chairman and CEO Ambrogio Caccia Dominioni** commented as follows: *“Tesmec closed the first quarter with an improvement in all the relevant economic and financial indicators, despite an economic and political scenario characterized by strong uncertainties, due to geopolitical tensions, rise in energy and material purchase prices, and by difficulties related to delays in the supply chain and transports. This quarter confirms the Group's resilience, reaffirms the importance of the Energy and Rail sectors and underlines the recovery of the Trencher sector in the American market. Profitability also held, despite inflationary trends and, together with actions on the supply chain, represents one of the main challenges of the next two years. We are ready and working to achieve 2020 - 2023 Business Plan targets, which are unchanged to date in compliance with the relevant guidelines, we aim to strengthen recurring revenues, to grow in the Energy and Rail sectors and to consolidate the American-European markets and the Middle East-African area, taking advantage of the structural opportunities generated by the Recovery and Resilience Plans of the different countries in which Tesmec operates. For 2022 we confirm a double-digit growth in revenues, improvement in margins, despite the existing criticalities in the macroeconomic context, and focus on reducing net financial debt. Sustainability is a key theme of our business, and we intend to proceed on this route, focus increasingly on minimum environmental impact, through strategy that integrates ESG principles into medium- and long-term actions. Finally, our thought goes to all those involved in the current Russian-Ukrainian conflict, to whom we express our closeness and solidarity. We are constantly monitoring the situation to be able to make assessments in full compliance with EU and international rules. To date, we do not foresee any significant impacts for our Group.”*

MAIN CONSOLIDATED RESULTS AS AT 31 MARCH 2022

Tesmec Group **revenues** amounted to **Euro 55.9 million** as at **31 March 2022**, with an increase compared to Euro 49.0 million as at 31 March 2021. This variation is mainly due to the confirmation of the performance of the Energy and Railway sectors and the recovery of the American market for the Trencher sector. In particular, as at 31 March 2022, revenues from sales of products and changes in work in progress amounted to Euro 37.7 million, with an increase compared to Euro 30.9 million as at 31 March 2021, and revenues from services of Euro 18.2 million, in line compared to Euro 18.1 million at 31 March 2021.

Results at 31 March (Euro in thousands)	Revenues from sales and services		
	2022	2021	Delta 22 vs 21
<i>Trencher</i>	32,805	30,963	+5.9%
<i>Effect on Consolidated Revenues</i>	58.7%	63.2%	
<i>Railway</i>	10,388	7,180	+44.7%
<i>Effect on Consolidated Revenues</i>	18.6%	14.7%	
<i>Energy</i>	12,672	10,813	+17.2%
<i>Effect on Consolidated Revenues</i>	22.7%	22.1%	



Consolidate	55,865	48,956	+14.1%
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The revenues of the **Trencher sector** as at 31 March 2022 amounted to **Euro 32.8 million** with an increase compared to Euro 31.0 million as at 31 March 2021, thanks to the American market recovery, and more in general to the launch of development and recovery plans in the reference countries in which the Group operates and in spite of an economic scenario characterized by difficulties in finding materials and a rise in purchase prices. As at 31 March 2022, the Trencher segment's order backlog was Euro 77.7 million (compared to Euro 84.9 million at 31 March 2021).

The **Railway sector** recorder **Revenues** as at 31 March 2022 of **Euro 10.4 million**, with an increase compared to Euro 7.2 million as at 31 March 2021. The growth confirms the strengthening of the business generated by higher value-added projects related to diagnostic products and energy transition. In the rail sector, the confirmed order backlog amounted to Euro 113.4 million as at 31 March 2022 (compared to Euro 114.4 million as at 31 March 2021).

With reference to the **Energy sector**, **Revenues** as at 31 March 2022 were **Euro 12.7 million**, with an increase compared to Euro 10.8 million as at 31 March 2021. In particular, the Stringing segment recorded revenues of Euro 8.3 million, with an increase compared to Euro 7.5 million as at 31 March 2021, while the Energy Automation segment recorded revenues of Euro 4.4 million, with an increase compared to Euro 3.3 million as at 31 March 2021, which confirms the growth of the year despite the difficulties in finding electronic components and semiconductors from the Far East. The commercial activities recorded a strong acceleration and in fact the order backlog amounted to Euro 98.5 million (compared to Euro 87.0 million as at 31 March 2021), of which Euro 79.0 million in the Energy Automation segment, and Euro 19.5 million in the Stringing segment.

In geographic terms, Tesmec Group recorded a better contribution of sales in Italy driven by the Railway and Energy sectors and confirms the predominant role of the American and European market. The Middle East area is stable, with a growing outlook in the coming quarters, which justifies the development initiatives launched starting from 2021.

The **EBITDA** amounted to **Euro 8.3 million**, with an increase compared to the Euro 7.1 million as at 31 March 2021, despite the inflationary trends of the period linked to materials and energy sources. The Group has taken the necessary actions to evaluate new technical, efficiency and procurement solutions and to reverse these changes on the list prices. In the case of medium-long-term contracts, Tesmec has begun the necessary negotiation activities with the contracting authorities to adjust the contract prices.

The **EBIT** of Tesmec Group amounted to **Euro 2.9 million**, with an improvement compared the Euro 1.4 million at 31 March 2021.

The **Net Financial Expenses** of the Tesmec Group were **Euro 0.4 million** as at 31 March 2022, compared to Euro 0.6 million as at 31 March 2021. During the period, the Group recorded foreign exchange gains of approximately Euro 0.8 million, mainly unrealized, generated by the strengthening of the dollar and linked currencies which balanced the impact of the ruble devaluation due to the Ukraine-Russia conflict.



The **Net result** as at 31 March 2022 was **Euro 2.0 million**, with a strong increase compared to Euro 1.1 million as at 31 March 2021.

The **Net financial indebtedness** was **Euro 119.4 million** as at 31 March 2022, with an increase compared to Euro 121.0 million as at 31 December 2021 and with a slight worsening compared to Euro 117.7 million as at 31 March 2021. This value included Euro 23.2 million of financial liabilities relating to rights of use (IFRS 16), mainly related to the Grassobbio premises and to the Trencher rental fleet. The quarter was characterized by uncertainties in the procurement of materials and components and in the shipments of finished products which consequently impacted net working capital and debt.

The Total Order Backlog of the Tesmec Group as at 31 March 2022 amounted to Euro 289.6 million – Euro 113.4 million of which referring to the Railway segment, Euro 77.7 million to the Trencher segment and Euro 98.5 million to the Energy segment (of which Euro 79.0 million related the Energy-Automation segment and Euro 19.5 million related to the Stringing segment) – with an increase both compared to Euro 284.2 million as at 31 December 2021, and Euro 286.3 million as at 31 March 2021. 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	Delta
	2022	2021	22 vs 21
Revenues	55.9	49.0	14.1%
Ebitda	8.3	7.1	16.5%
<i>Ebitda Margin</i>	14,8%	14,5%	
Ebit	2.9	1.4	110.3%
Net result	2.0	1.1	82.6%
Net financial indebtedness	119.4	117.7	1.7%

BUSINESS OUTLOOK

Despite a macroeconomic context characterized by strong uncertainties and criticalities relating to geopolitical tensions in progress, evolution of the pandemic, increase of prices of raw materials and logistical tensions and in management of freight rates, which do not facilitate the estimation processes, Tesmec Group confirms its guidelines for the 2020-2023 Plan, supported by the performance of the first quarter and by the status of activities in the second quarter 2022. 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. In details, huge investments are planned in the Trencher segment to strengthen telecommunications networks and digitalization 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 the use of renewable energy sources is confirmed, with the power lines being adapted to the new requirements.

In the light of the above, the Group expects to achieve in the 2022 financial year: consolidated turnover exceeding Euro 240 million, EBITDA percentage higher than 16% and reduction of Net Financial Debt compared to the end of 2021.

The short-term objectives were developed according to the logic that there is no worsening of the macroeconomic conditions or a drift in the Russian-Ukrainian conflict.

The state of political and military tension generated, and the consequent economic sanctions adopted by the international community against Russia have determined significant effects and turbulence on the global markets. Note that Tesmec, over the years, has developed a commercial presence and service offering through a local company and that the Group invested and developed specific solutions and technologies for the territory but with a limited contribution to consolidated turnover in the last period (around 2%). Nevertheless, Tesmec's management team is constantly monitoring the situation in order to be able to make assessments in full compliance with EU and international rules. The Group's priority is to protect its employees across the Country and to maintain their employment as long as international and national conditions allow Tesmec to do so.

SUSTAINABILITY

Sustainability is confirmed as a key element of Tesmec's business model, and it is cornerstone of all business processes. The Group's strategy is therefore focused on integrating ESG principles into its growth path.

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. In Italy, the progressive decrease in infections has allowed a recent loosening of restrictive measures, however, other parts of the world are experiencing an exacerbation of the pandemic with new lockdowns. The potential introduction of additional forms of restrictions to cope with the further spread of COVID-19, such as those recently applied in China, 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 **21 February 2022** with the beginning of the Russian-Ukrainian conflict, Tesmec took all necessary action to mitigate the impact of this conflict and slowed down its activities on Russian territory. Tesmec, over the years, has developed a commercial presence and service offering through a local company and the Group invested and developed specific solutions and technologies for the territory but with a limited contribution to consolidated turnover in the last period (around 2%). The Tesmec Management team is constantly monitoring the situation in order to be able to carry out assessments in full compliance with EU and international rules.

MAIN EVENTS OCCURRING AFTER THE PERIOD UNDER REVIEW

On **21 April 2022**, the Shareholders' Meeting of Tesmec S.p.A., in ordinary session, on single call, approved the Financial Statements as at 31 December 2021 and the allocation of net result. During the Shareholders' meeting, the Group's Consolidated Financial Statements as at 31 December 2021 including the Non-Financial Statement 2021 were also presented. The Shareholders' Meeting also appointed the new Board of Directors of Tesmec S.p.A., confirming Ambrogio Caccia Dominioni as Chairman, elected the new Board of Statutory Auditors, confirming Simone Cavalli as Chairman, and 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.

Also on **21 April 2022**, the new Board of Directors reappointed Ambrogio Caccia Dominioni, already Chairman and Chief Execution Officer of Tesmec S.p.A.. Furthermore, the Board of Directors assigned proxies and powers, and confirmed Gianluca Bolelli as Vice Chairman. The Board of Directors also renewed the Internal Committees.

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 2021.



Conference Call

At 2:30 PM (CET) , Tuesday 10 May 2022, 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.

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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 EURO NEXT 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 2022.



Tesmec Group reclassified consolidated income statements

Income statement <i>(€ in thousands)</i>	As at 31 March	
	2022	2021
Revenues from sales and services	55,865	48,956
Total operating costs	(52,925)	(47,558)
Operating income	2,940	1,398
Financial (income) / expenses	(1,194)	(1,357)
Foreign exchange gains/losses	779	1.885
Share of profit / (loss) of associates and joint ventures	27	57
Pre-tax profit	2,552	1,983
Net profit for the period	1,999	1,101
EBITDA	8,266	7,094
EBITDA (% on revenues)	14.8%	14.5%

**Tesmec Group reclassified consolidated statements of financial position**

Balance sheet		
<i>(€ in thousands)</i>	31 March 2022	31 December 2021
Total non-current assets	125,006	128,643
Total current assets	238,091	229,489
Total assets	363,097	358,132
Total non-current liabilities	124,876	133,749
Total current liabilities	162,409	151,741
Total liabilities	287,285	285,490
Total shareholders' equity	75,812	72,642
Total shareholders' equity and liabilities	363,097	358,132



Tesmec Group other consolidated financial information

Summary of the cash flow statement <i>(€ in thousands)</i>	As at 31 March	
	2022	2021
Net cash flow generated by (used in) operating activities (A)	1,605	(15,747)
Net cash flow generated by (used in) investing activities (B)	(2,364)	(857)
Net cash flow generated by financing activities (C)	(7,018)	(401)
Total cash flow for the period (D=A+B+C)	(7,777)	(16,995)
Cash and cash equivalents at the beginning of the period (F)	50,189	70,426
Effect of exchange-rate changes on cash and cash equivalents (E)	133	163
Cash and cash equivalents at the end of the period (G=D+E+F)	42,545	53,594



Tesmec Group other consolidated financial information

Funding Sources and Uses

((€ in thousands)	<u>As at 31 March 2022</u>	<u>As at 31 December 2021</u>
Net working capital ³	82,188	76,536
Fixed assets	101,668	102,946
Other long-term assets and liabilities	11,358	14,172
Net invested capital ⁴	<u>195,214</u>	<u>193,654</u>
Net financial indebtedness ⁵	119,402	121,012
Shareholders' equity	75,812	72,642
Total sources of funding	<u>195,214</u>	<u>193,654</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.1155-17

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