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Oggetto : Tesmec S.p.A.- The BoD approved the Interim consolidated financial report as at 30 September 2024

Testo del comunicato

Vedi allegato

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TESMEC S.P.A.: THE BOARD OF DIRECTORS APPROVES THE INTERIM CONSOLIDATED FINANCIAL REPORT AS AT 30 SEPTEMBER 2024 WHICH REPORTS GROWING MARGINS, ALTHOUGH A NEGATIVE NET RESULT DUE TO INCREASED FINANCIAL CHARGES.

Main consolidated results for the first nine months of 2024 (compared to the first nine months of 2023):

- **Revenues: Euro 189.0 million**, compared to Euro 193.5 million as at 30 September 2023;
- **EBITDA¹: Euro 29.2 million, an improvement** compared to Euro 28.5 million as at 30 September 2023, with an EBITDA margin of 15.4%, compared to 14.7% as at 30 September 2023;
- **EBIT: Euro 11.4 million, an improvement** compared to Euro 11.3 million as at 30 September 2023;
- **Net result: negative for Euro 4.0 million**, due to the impact of increased interest expenses, compared to a Net Profit of Euro 0.2 million as at 30 September 2023, and with a pre-tax result of negative Euro 1.5 million in the third quarter of 2024;
- **Net financial indebtedness²: Euro 176.0 million** including the IFRS16 component (compared to Euro 153.5 million as at 31 December 2023), corresponding to Euro 127.7 million excluding the IFRS16 component (compared to Euro 114.3 million as at 31 December 2023);
- **Total order backlog: Euro 363.5 million**, compared to Euro 402.2 million as at 31 December 2023, with positive future prospects and an expected recovery in the last quarter;
- **2024 Guidance update:** confirmed EBITDA margin improvement compared to the previous year, with revenues down from the previously indicated value of Euro 270 million, albeit an improvement over the previous year, and Net Financial Indebtedness substantially in line with 31 December of last year;
- **Sustainability:** Tesmec Group continues its commitment to sustainability, investing in innovative solutions for the ecological and digital transition. This year again, Tesmec S.p.A. has been recognized among the 100 best sustainable companies in Italy in the prestigious Sustainability Award ranking, promoted by Kon Group and Elite.

Grassobbio (Bergamo), 8 November 2024 – The **Board of Directors of Tesmec S.p.A.** (EURONEXT STAR MILAN: TES) ("**Tesmec**" or "**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, reviewed and approved the **Interim consolidated financial report as at 30 September 2024**, that records slightly lower volumes compared to 30 September 2023, and an improvement in profitability, in line with 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.

² 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 financial liabilities from leasing and IFRS 16, the fair value of financial instruments and excluding other non-current liabilities.

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strategy of focusing on higher-margin market segments, consistent with the managerial strategic choice to prioritize profitability, and the management efficiency measures implemented between the end of 2023 and the beginning of 2024, which resulted in a reduction in operating costs, compared to 30 September 2023. This made it possible to absorb, among others, still unfavorable conditions in some markets, leading to an increase in gross operating margins to as at 30 September 2024, increased, with EBITDA of Euro 29.2 million and an EBITDA margin of 15.4%, compared to Euro 28.5 million and 14.7% in the corresponding period of the previous year. The impact of interest expenses resulted in a negative net result for the period of Euro 4.0 million, while Net Financial Indebtedness, increasing compared to 31 December 2023, due to higher working capital and IFRS16 items, showed an improvement compared to 30 June 2024, in line with expectations of reduction in the second half of the year.

The **Chairman and CEO Ambrogio Caccia Dominioni** commented as follows: *“Despite the challenges posed by the macroeconomic context and recording a slight contraction in revenues, mainly attributable to slowdowns due to external factors, in the first nine months of the year, we recorded an improvement in EBITDA margin thanks to efficient cost management and a focus on higher-margin market segments. In line with the indications for the current year, the Group intends to pursue a strategy aimed at prioritizing profitability over volumes. Net Financial Indebtedness shows a slight improvement compared to the end of June, in line with expectations of a reduction in the final part of the year. Related to 2025, I am confident on the future perspectives which are more favorable, thanks to the quality of the order backlog and the opportunities offered by the energy transition”.*

MAIN CONSOLIDATED RESULTS AS AT 30 SEPTEMBER 2024

As at **30 September 2024**, the consolidated **Revenues** of the Tesmec Group amounted to Euro **189.0 million**, compared to Euro 193.5 million as at 30 September 2023, with a positive contribution from the Energy sector, which shows volumes growing by 18% compared to the first nine months of 2023. As at 30 September 2024, revenues from product sales, net of changes for work in progress, amounted to Euro 156.9 million, compared to Euro 157.8 million as at 30 September 2023, and revenues from service amounted to Euro 35.2 million, compared to Euro 35.7 million as at 30 September 2023.

(Euro thousands)	Revenues from sales and services Results as at 30 September				
	2024.9M	Effect on Consolidated Revenues	2023.9M	Effect on Consolidated Revenues	Variation 2024.9M vs 2023.9M
Energy	58,230	30.8%	49,305	25.5%	8,925
Trencher	96,504	51.1%	106,164	54.9%	(9,660)
Railway	34,289	18.1%	38,038	19.7%	(3,749)
Consolidated Revenues	189,023		193,507		(4,484)

At a geographical level, Tesmec confirms itself as a group strongly oriented towards international markets, with about 78% of consolidated revenues generated outside Italy.

EBITDA as at 30 September 2024, amounted to **Euro 29.2 million**, an improvement compared to Euro 28.5 million as at 30 September 2023, in line with the Group's strategy of prioritizing profitability

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maximization over volumes and thanks to the implementation of several initiatives aimed at improving operational efficiency, which allowed for containment of operating costs in the first nine months of 2024 compared to 30 September 2023. The improvement was driven by an increasing weight of the Energy-Automation segment, characterized by higher added value, and a recovery in profitability in the Trencher sector, while the Railway sector, although recovering compared to last June, is expected to express its full potential in the coming quarters, thanks to a change in the mix, with the execution of higher added value orders.

Similarly, the consolidated **EBITDA margin** reached **15.4%**, compared to 14.7% as at 30 September 2023.

In further detail, regarding the **Energy segment**, Revenues as at 30 September 2024, amounted to Euro 58.2 million, an increase of 18.1% compared to Euro 49.3 million as at 30 September 2023, thanks to robust demand and the commercial success of products and solutions in both the Stringing and Energy-Automation segments. In particular, the Stringing segment recorded revenues of Euro 38.0 million, an increase compared to Euro 32.3 million as at 30 September 2023, and the Energy-Automation segment recorded revenues of Euro 20.3 million, also significantly increasing compared to Euro 17.0 million as at 30 September 2023. The EBITDA of the Energy sector reached Euro 8.8 million (with an EBITDA margin of 15.2%), an increase compared to Euro 7.5 million in the first nine months of 2023 (when the EBITDA margin was also 15.2%), thanks to higher volumes, better mix, and lower operating costs.

The opportunities offered by the energy transition confirm a growing trend for the sector, with an order backlog as at 30 September 2024, amounting to Euro 103.4 million, compared to Euro 123.7 million as at 30 September 2023, of which Euro 81.7 million refer to the Energy-Automation segment (with multi-year duration, confirming the growth expectations of this segment in the medium term) and Euro 21.7 million refer to the Stringing segment (which traditionally has a short-term duration)

As for the **Trencher segment**, Revenues as at 30 September 2024, amounted to Euro 96.5 million, compared to Euro 106.2 million as at 30 September 2023. In line with what was communicated as at 30 June 2024, the variation in revenues is mainly attributable to lower volumes in the US and French markets and delays in projects in Australia, while the African and Middle Eastern markets, with their positive development trajectory, contributed positively, partially compensating. Despite this, the sector achieved improved profitability, with an EBITDA of Euro 14.7 million (and an EBITDA margin of 15.2%), an increase compared to Euro 13.9 million as at 30 September 2023 (when the EBITDA margin was 13.1%) thanks to a better sales mix, consistent with the management decision to prioritize activities with higher added value, and containment of operating costs, which allowed to cover still unfavorable conditions in the French, Australian and US markets. As at 30 September 2024, the order backlog of the Trencher sector amounted to Euro 72.9 million, compared to Euro 76.5 million as at 30 September 2023.

Regarding the **Railway segment**, Revenues as at 30 September 2024, amounted to Euro 34.3 million, compared to Euro 38.0 million as at 30 September 2023, due to the still significant weight of the completion of old lower-margin orders and the delay in the definition by the contracting authority of technical aspects preparatory to the start of the execution of contracts already awarded. Regarding the EBITDA of the sector, which as at 30 September 2024, amounted to Euro 5.6 million, with an EBITDA margin of 16.4% (compared to the corresponding Euro 7.1 million and 18.6% as at 30

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September 2023), showing signs of improvement already in the third quarter of 2024, compared to 30 June 2024. In this regard, the Group expects to express its full potential in the coming quarters, thanks to a change in mix, with the execution of higher added value orders in the diagnostics systems area, and the business model, in line with the strategy of prioritizing profitability maximization over volumes. The order backlog, which is remembered to be multi-year, as at 30 September 2023, amounted to Euro 187.2 million, a significant increase compared to Euro 123.7 million as at 30 September 2023.

The **Operating Result (EBIT)** as at 30 September 2024, amounted to **Euro 11.4 million**, compared to Euro 11.3 million as at 30 September 2023, impacted by the growth of period depreciation of about 3% compared to 2023.

Net financial expenses as at 30 September 2024, were **negative for Euro 13.5 million**, a significant increase compared to net financial charges of negative **Euro 10.5 million** as at 30 September 2023. Interest expenses as at 30 September 2024, amounted to a negative value of ca. Euro 13.1 million, compared to a negative value of ca. Euro 9.0 million as at 30 September 2023, due to the increase in rates, along with a higher level of Net Financial Indebtedness. Furthermore, in the reference period, the Group recorded exchange losses of about Euro 0.3 million, compared to exchange losses of about Euro 1.4 million as at 30 September 2023.

The **Net Result** as at 30 September 2024, is therefore **negative for Euro 4.0 million**, compared to a Net Profit of Euro 0.2 million as at 30 September 2023, and with a pre-tax result of negative Euro 1.5 million in the third quarter of 2024.

The **Net Financial Indebtedness** as at 30 September 2024, including the effect of IFRS16, amounted to **Euro 176.0 million**, compared to Euro 153.5 million as at 31 December 2023, and improved compared to Euro 183.6 million as at 30 June 2024. Excluding the IFRS16 component, Net Financial Indebtedness amounted to Euro 127.7 million, compared to Euro 114.3 million as at 31 December 2023: of this variation, Euro 15.4 million are attributable to a higher level of working capital (mainly increased due to the increase in trade receivables against period sales and still high inventory levels, in a challenging international logistics context); while Net Financial Indebtedness variation before changes in working capital and IFRS16 components, amounting to Euro 2.0 million, corresponds to the EBITDA generated in the period, net of investments, financial charges, taxes, and net changes in other medium-long-term items. Finally, the increase of Euro 9.0 million, compared to 31 December 2023, in the variation of right-of-use assets (IFRS16), is mainly attributable to the adjustment of the lease terms of the Grassobbio property, in line with the strategy of concentrating production activities, and the Trencher fleet subject to operating leases.

The Total Order Backlog of the Tesmec Group as at 30 September 2024, amounts to Euro 363.5 million – of which Euro 187.2 million refer to the Railway segment, Euro 72.9 million to the Trencher segment, and Euro 103.4 million to the Energy segment (of which Euro 81.7 million refer to the Energy-Automation segment and Euro 21.7 million refer to the Stringing segment) – compared to Euro 402.2 million as at 31 December 2023,

Summary of financial data is below reported:

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<i>(Euro Milion)</i>	Consolidated 2024.9M	Consolidated 2023.9M	Variation 2024.9M vs 2023.9M
Revenues	189.0	193.5	(4.5)
EBITDA	29.2	28.5	0.7
EBITDA Margin	15.4%	14.7%	
EBIT	11.4	11.3	0.1
Net Result	(4.0)	0.2	(4.2)
Net financial Indebtedness as at December 31, 2023: 153.5	176.0	149.0	27.0

BUSINESS OUTLOOK

In the first nine months of 2024, Tesmec continued its strategy of geographical and sectoral diversification, in strategic markets with high dynamism and wide growth prospects, through the offer of solutions for digitalization and the creation of telecommunications networks, as well as for the development of the mining sector. In the Trencher sector, investments in infrastructure, electrical networks, and Fiber to the Home projects are growing, driven by government incentives and the increasing demand for connectivity. The railway sector looks to the future with confidence, thanks to substantial investments aimed at reducing road traffic congestion, promoting sustainable mobility, and improving railway transport safety through diagnostic and maintenance interventions on the lines. Finally, the energy transition represents an important opportunity for Tesmec, with a growing focus on adapting electrical networks to the new needs generated using renewable energy.

On the basis of the results for the first nine months of 2024, considering the outlook for the Group's businesses, which remains positive even if behind initial estimates, and in light of an evolving external environment, for the full year 2024 Tesmec confirms its expectation of an EBITDA margin improving compared to that of the previous year, with revenues down from the previously communicated Euro 270 million, albeit an improvement over the previous year, and a Net Financial Indebtedness substantially in line with 31 December of last year.

SUSTAINABILITY

Tesmec Group continues to make investments in digital and sustainable innovation, showing an integrated and long-term vision. The integration of ESG principles into the Group's growth plans, in line with the United Nations Sustainable Development Goals (SDGs), remains a fundamental priority. Tesmec is also committed to aligning its environmental, social, and governance (ESG) reporting with the requirements imposed by the new CSRD (Corporate Sustainability Reporting Directive), which introduces a significant evolution in sustainability reporting practices.

In light of the results achieved, Tesmec S.p.A. has therefore been included in the ranking of the hundred best sustainable companies in Italy, as part of the Sustainability Award, promoted by Kon Group and ELITE, sponsored by Azimut, with the institutional scientific partner ALTIS Advisory, a spin-off of the Università Cattolica del Sacro Cuore, and the Politecnico di Milano, in recognition of the validity of the path undertaken by the Group in the field of sustainable development, social responsibility, and environmental respect.

MAIN EVENTS OCCURRED FOLLOWING THE PERIOD UNDER REVIEW

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On **October 7 and 8, 2024**, Tesmec announced that its subsidiary Tesmec Rail S.r.l. received the award of a tender for the delivery, installation, and commissioning of a peripheral system for a towed diagnostic vehicle of the SBB, with the aim of ensuring high safety and availability of the Swiss railway network and significantly contributing to the maintenance of the railway infrastructure, for a total value not exceeding 6 and a half million Swiss francs. This award is strategic for the Company as it marks Tesmec entry into the Swiss market, characterized by high technological standards. The award also highlights Tesmec commitment to technological innovation, achieved through significant investments in digitalization and diagnostics with the aim of ensuring the highest standards of safety and efficiency

TREASURY SHARES

At the time of this press release, the Company holds 4,711,879 treasury shares, equal to 0.78% of the share capital. The amount is unchanged compared to 31 December 2023.

CONFERENCE CALL

At 2:30 PM (CET), Friday 8 November 2024, 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 nine months of 2024 to the financial community during a conference call.

To participate, you are kindly requested to connect as follows:

<https://services.choruscall.it/DiamondPassRegistration/register?confirmationNumber=7642837&linkSecurityString=11bb8aa931>

The manager responsible for the preparation of the corporate accounting documents, Ruggero Gambini, 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 economic and financial management. These indicators are calculated according to the usual market practice.

The Interim Consolidated Financial Report as at 30 September 2024 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:

<https://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, fiber 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 fiber 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 1000 employees and has its production sites in Grassobbio (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 EURONEXT STAR MILAN of the Euronext Milan 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 2024.

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TESMEC GROUP RECLASSIFIED CONSOLIDATED INCOME STATEMENTS

Income Statement <i>(Euro thousands)</i>	30 September 2024	30 September 2023
Revenues from sales and services	189,023	193,507
Total operating costs	(177,590)	(182,177)
Operating	11,433	11,330
Financial (income) / expenses	(13,262)	(9,044)
Foreign exchange gains/losses	(285)	(1,403)
Share of profit / (loss) of associates and joint ventures	4	(14)
Income before tax	(2,110)	869
Net Profit (Loss)	(4,044)	189
EBITDA	29,150	28,498
EBITDA (% on revenues)	15.4%	14.7%

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TESMEC GROUP RECLASSIFIED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Balance sheet (Euro thousands)	30 September 2024	31 December 2023
Total Non- current assets	159,047	156,846
Total Current assets	276,778	284,356
Total assets	435,825	441,202
Total Non-current liabilities	129,517	133,796
Total Current liabilities	232,658	229,162
Total liabilities	362,175	362,958
Total equity	73,650	78,244
Total shareholders' equity and liabilities	435,825	441,202

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TESMEC GROUP RECLASSIFIED CONSOLIDATED STATEMENT OF CASH FLOWS

Summary of the cash flow statement (Euro thousands)	30 September 2024	30 September 2023
Net cash flow generated by (used in) operating activities (A)	(1,699)	(8,194)
Net cash flow generated by (used in) investing activities (B)	(33,296)	(22,806)
Net cash flow generated by financing activities (C)	(1,149)	15,597
Total cash flow for the period (D=A+B+C)	(36,144)	(15,403)
Cash and cash equivalents at the beginning of the period (F)	53,680	50,987
Effect of foreign exchange on net cash and cash equivalents (E)	(12)	(215)
Cash and cash equivalents at the end of the period (G=D+E+F)	17,524	35,369

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TESMEC GROUP CONSOLIDATED SOURCES AND APPLICATIONS STATEMENT

Funding Sources and Uses <i>(Euro thousands)</i>	30 September 2024	31 December 2023
Net working capital ³	102,217	86,835
Fixed assets	125,006	119,622
Other long-term assets and liabilities	22,409	25,284
Net invested capital ⁴	249,632	231,741
Net financial indebtedness ⁵	175,982	153,497
Shareholders' equity	73,650	78,244
Total sources of funding	249,632	231,741

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.

