

TESMEC

Sector: Industrials

OUTPERFORM

Price: Eu0.17 - Target: Eu0.19

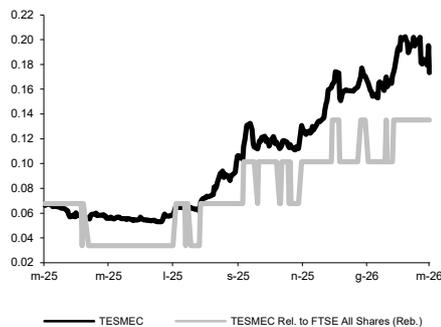
Energy Structural, transitory issues affecting Trenchers

Enrico Coco +39-02-77115.230
 enrico.coco@intermonte.it

Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 0.17 to 0.19		
	2026E	2027E	2028E
Chg in Adj EPS	-34.6%	-16.8%	-12.8%

TESMEC - 12M Performance



Stock Data

Reuters code:	TES.MI		
Bloomberg code:	TES IM		
Performance	1M	3M	12M
Absolute	-9.5%	3.7%	156.5%
Relative	-5.4%	1.8%	138.0%
12M (H/L)	0.20/0.05		
3M Average Volume (th):	6,425.41		

Shareholder Data

No. of Ord shares (mn):	606
Total no. of shares (mn):	606
Mkt Cap Ord (Eu mn):	105
Total Mkt Cap (Eu mn):	105
Mkt Float - Ord (Eu mn):	49
Mkt Float (in %):	46.6%
Main Shareholder:	
TTC	47.8%

Balance Sheet Data

Book Value (Eu mn):	85
BVPS (Eu):	0.14
P/BV:	1.2
Net Financial Position (Eu mn):	-127
Enterprise Value (Eu mn):	232

■ **FY25 EBITDA below estimates with sales in line. Better net debt.** FY25 results confirmed the positive trend in Energy and Rail, although figures were below expectations, particularly for EBITDA (9% below estimates at Eu40mn, -1% YoY). Sales came in at Eu258mn (-1% below estimates), up 8% YoY. FY25 net profit of Eu2.1mn vs. Eu4.2mn expected was impacted by Eu3.4mn of ForEx losses (some reversal possible in FY26). On the positive side, net debt was Eu130mn (4% better than expected) as at end-2025, down Eu17mn (>15% of mkt cap) vs. Eu147mn in FY24. Lower net working capital contributed Eu28mn to debt reduction, with CapEx at Eu25mn including Eu5mn for the fleet (guided slightly upward in FY26) and operating cash flow at Eu13mn. Net working capital (Eu72mn) is covered by long term debt, with IFRS 16 leasing contributing Eu28mn to the Eu130mn net debt in FY25 (guided down in FY26 as well).

■ **Energy and Rail structural, Trenchers subject to transitory issues.** Weak 4Q25 volumes and profitability were driven by the poor performance at Trenchers (sales down 4% and EBITDA down 46% in FY25), impacted by issues in Saudi Arabia (project delays) and Australia (project execution) that management said were temporary. Conversely, at Energy (sales up 25% YoY in FY25 to close to Eu100mn with a 20% EBITDA margin), the market is in very good shape at both divisions: Stringing is working with negative working capital and profitability is benefiting from cost efficiencies and the design of the product range; Energy Automation is benefiting from geographical diversification and the transition to a system-based offering. Results at Rail (sales +6%, EBITDA +7% in FY25) still do not capture the internationalization of the business (i.e. a E71mn contract recently awarded in Slovenia).

■ **Outlook.** Management confirmed the focus on quality revenues (flattish volumes), profitability, and cash generation, and guided for EBITDA improving YoY and lower net debt YoY in 2026, with net working capital stable or slightly down vs. FY25 (Eu72mn), and CapEx slightly up vs. Eu25mn in FY25. We have fine-tuned sales estimates for FY26-FY27 (-1%), cut EBITDA by 6%, and left net debt projections broadly unchanged. Management said the Middle East accounts for 5% of the company's business and is a strategic region for future growth.

■ **Outperform TP Eu0.19 (previous Eu0.17).** Tesmec is exposed to growing end-markets in Energy (now the group's most important business) and Rail (internationalization of its diagnostic technologies), supporting the growth outlook over the coming years. Our updated DCF-based equity value for Tesmec is Eu114mn (previously Eu105mn). At target, we value Tesmec at 5.2x FY26E EV/EBITDA and 9.9x FY26E P/E.

Key Figures & Ratios	2024A	2025A	2026E	2027E	2028E
Sales (Eu mn)	240	258	280	301	325
EBITDA Adj (Eu mn)	41	41	47	56	62
Net Profit Adj (Eu mn)	0	-2	8	14	19
EPS New Adj (Eu)	0.000	-0.004	0.012	0.023	0.032
EPS Old Adj (Eu)	0.000	0.011	0.019	0.028	0.037
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	4.9	4.5	4.9	4.0	3.3
EV/EBIT Adj	9.9	9.3	9.3	6.7	5.2
P/E Adj	nm	nm	13.9	7.4	5.4
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	3.6	3.2	2.7	2.1	1.6

TESMEC – Key Figures						
Profit & Loss (Eu mn)	2023A	2024A	2025A	2026E	2027E	2028E
Sales	252	240	258	280	301	325
EBITDA	34	41	41	47	56	62
EBIT	11	20	20	25	33	40
Financial Income (charges)	-16	-17	-20	-15	-14	-14
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	-5	4	-0	10	19	26
Taxes	2	-4	-2	-3	-5	-6
Tax rate	41.3%	95.5%	-1019.1%	25.0%	25.0%	25.0%
Minorities & Discontinued Operations	-0	-5	5	0	0	0
Net Profit	-3	-5	2	8	14	19
EBITDA Adj	34	41	41	47	56	62
EBIT Adj	11	20	20	25	33	40
Net Profit Adj	-3	-0	-2	8	14	19
Per Share Data (Eu)	2023A	2024A	2025A	2026E	2027E	2028E
Total Shares Outstanding (mn) - Average	606	606	606	606	606	606
Total Shares Outstanding (mn) - Year End	607	607	607	607	607	607
EPS f.d	-0.005	-0.009	0.004	0.012	0.023	0.032
EPS Adj f.d	-0.005	0.000	-0.004	0.012	0.023	0.032
BVPS f.d	0.126	0.125	0.128	0.141	0.164	0.196
Dividend per Share ORD	0.000	0.000	0.000	0.000	0.000	0.000
Dividend per Share SAV	0.000					
Dividend Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash Flow (Eu mn)	2023A	2024A	2025A	2026E	2027E	2028E
Gross Cash Flow	4	15	49	31	41	46
Change in NWC	2	0	-2	-3	-5	-6
Capital Expenditure	-16	-25	-25	-24	-25	-25
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	-10	-9	21	4	11	14
Acquisitions, Divestments & Other Items	-15	16	1	0	0	0
Dividends	0	0	0	0	0	0
Equity Financing/Buy-back	0	0	-6	0	0	0
Change in Net Financial Position	-25	7	17	4	11	14
Balance Sheet (Eu mn)	2023A	2024A	2025A	2026E	2027E	2028E
Total Fixed Assets	120	107	117	119	121	123
Net Working Capital	87	100	72	74	74	78
Long term Liabilities	25	18	16	17	17	17
Net Capital Employed	232	225	204	209	212	218
Net Cash (Debt)	-154	-147	-130	-127	-115	-102
Group Equity	78	78	74	83	97	116
Minorities	2	2	-3	-3	-3	-3
Net Equity	76	76	78	85	99	119
Enterprise Value (Eu mn)	2023A	2024A	2025A	2026E	2027E	2028E
Average Mkt Cap	83	54	51	105	105	105
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	-154	-147	-130	-127	-115	-102
Enterprise Value	236	201	181	232	221	207
Ratios (%)	2023A	2024A	2025A	2026E	2027E	2028E
EBITDA Adj Margin	13.5%	17.1%	15.7%	16.8%	18.4%	19.1%
EBIT Adj Margin	4.4%	8.5%	7.6%	8.9%	10.9%	12.2%
Gearing - Debt/Equity	196.3%	189.4%	176.8%	153.1%	119.2%	87.4%
Interest Cover on EBIT	0.7	1.2	1.0	1.7	2.3	2.9
Net Debt/EBITDA Adj	4.5	3.6	3.2	2.7	2.1	1.6
ROACE*	5.0%	8.9%	9.1%	12.0%	15.7%	18.5%
ROE*	-3.8%	-0.2%	-3.1%	9.2%	15.3%	17.8%
EV/CE	1.1	0.9	0.8	1.1	1.0	1.0
EV/Sales	0.9	0.8	0.7	0.8	0.7	0.6
EV/EBITDA Adj	6.9	4.9	4.5	4.9	4.0	3.3
EV/EBIT Adj	21.4	9.9	9.3	9.3	6.7	5.2
Free Cash Flow Yield	-9.5%	-8.8%	20.4%	3.6%	10.6%	13.2%
Growth Rates (%)	2023A	2024A	2025A	2026E	2027E	2028E
Sales	2.7%	-4.9%	7.6%	8.6%	7.8%	7.8%
EBITDA Adj	-3.3%	20.7%	-1.3%	15.7%	18.6%	11.7%
EBIT Adj	-15.7%	84.1%	-4.2%	27.1%	33.1%	20.3%
Net Profit Adj	nm	nm	nm	nm	88.0%	37.8%
EPS Adj	nm	nm	nm	nm	88.0%	37.8%
DPS						

*Excluding extraordinary items

Source: Intermonte SIM estimates

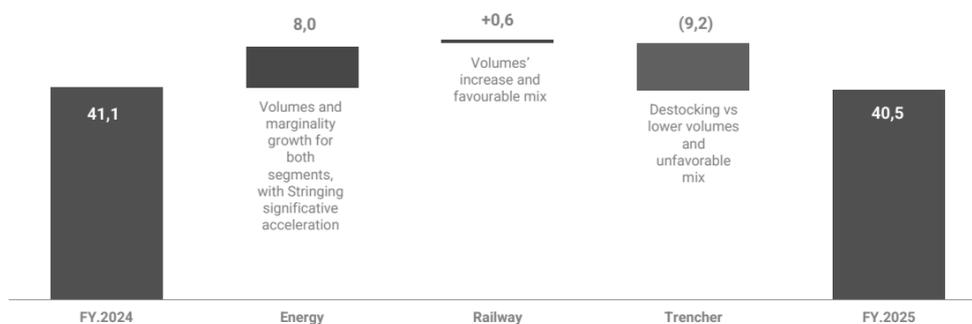
Quarterly Trend

Tesmec - Quarterly Trends

(Eu mn)	1Q24	2Q24	3Q24	4Q24	FY 24	1Q25	2Q25	3Q25	4Q25	FY 25A	FY 25E	Act.Est.
Revenues	55.8	61.9	62.0	59.8	239.5	61.4	67.2	63.6	65.4	257.6	260.2	-1.0%
EBITDA	9.1	9.9	9.7	11.9	41.1	9.5	11.7	10.2	9.2	40.5	44.3	-8.6%
Margin	16.3%	16.0%	15.6%	19.9%	17.1%	15.5%	17.3%	16.0%	14.0%	15.7%	17.0%	
EBIT	4.0	5.1	3.9	8.9	20.4	4.3	6.4	5.0	3.8	19.5	23.6	-17.4%
Margin	7.2%	8.2%	6.3%	14.9%	8.5%	7.0%	9.6%	7.8%	5.8%	7.6%	9.1%	
Net Profit	-1.1	-1.1	-2.1	-0.8	-5.2	-1.4	0.9	-0.2	2.8	2.1	4.1	-48.8%
Net Debt	167.1	183.6	176.0	147.0	147.0	152.6	146.4	136.0	130.4	130.4	136.1	4.2%

Source: company data, Intermonte estimates

FY25 EBITDA Evolution by BU (€ mn)



Source: Company data

FY25 NFP and FCF EVolution (€ mn)



Source: Company data

Valuation

We value Tesmec through DCF at Eu114mn (previously Eu105mn) or Eu0.19 per share (previously Eu0.17). At target, we value Tesmec at 5.2x FY26E EV/EBITDA and 9.9x FY26E P/E. We assume WACC at 9.0% (previously 9.6%), reflecting a more balanced financial structure (equity 40% of the EV), and perpetual growth at 2.0%.

DCF Model

(Eu mn)	2025	2026E	2027E	2028E	2029E	2030E	2031E	TV
Revenues	257.6	279.7	301.4	324.8	341.0	358.1	376.0	383.5
YoY Growth	7.6%	8.6%	7.8%	7.8%	5.0%	5.0%	5.0%	2.0%
EBITDA	40.5	46.9	55.6	62.1	68.2	71.6	75.2	57.5
margin %	15.7%	16.8%	18.4%	19.1%	20.0%	20.0%	20.0%	15.0%
D&A	(21.0)	(22.1)	(22.6)	(23.4)	(24.6)	(25.8)	(27.1)	(26.8)
EBIT	19.5	24.8	33.0	39.7	43.6	45.8	48.1	30.7
Taxes on EBIT	(7.5)	(6.5)	(8.5)	(10.2)	(13.1)	(13.7)	(14.4)	(9.2)
tax rate	-38.5%	-26.2%	-25.9%	-25.7%	-30.0%	-30.0%	-30.0%	-30.0%
NOPAT	12.0	18.3	24.5	29.5	30.5	32.1	33.7	21.5
Change in WC	27.8	(8.4)	(8.2)	(8.9)	(6.2)	(6.5)	(6.8)	(3.0)
WC/Sales		38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	40.0%
Capex	(25.0)	(24.3)	(24.9)	(25.3)	(20.5)	(21.5)	(22.6)	(26.8)
Capex/Sales	-9.7%	-8.7%	-8.3%	-7.8%	-6.0%	-6.0%	-6.0%	-7.0%
Unlevered FCF	35.8	7.7	13.9	17.7	28.5	29.9	31.4	18.5
TV								269.1
Discount factor		0.96	0.88	0.81	0.74	0.68	0.62	0.57
Discounted Free cash flow		7.4	12.2	14.3	21.1	20.3	19.5	153.7

Eu mn

Discounted free cash flows 2026-2031E	95
Terminal Value on total EV	62%
Terminal value multiple on EBITDA	4.7x
Total EV	248
Net financial position (YE25) incl. IFRS16	(130)
Other Liabilities	(4)
Fair Value of Equity (Eu mn)	114
N. of shares (mn)	606.5
N. of shares ex. treasury shares(mn)	601.7
Fair value per share (Eu)	0.19

Source: Intermonte estimates

Multiples @ Current Price

	2022	2023	2024	2025	2026E	2027E
EV/SALES	0.9	0.9	0.8			
EV/EBITDA	6.0	6.8	4.7	0.8	0.8	0.7
EV/EBIT	16.1	20.8	9.4	5.0	5.0	4.0
P/E	10.0	-24.5	-318.2	10.3	9.5	6.8

Multiples @TP Eu0.17

Mkt Cap target Eu mn					115.2	115.2
EV/SALES	0.9	0.9	0.8	0.9	0.9	0.8
EV/EBITDA	6.0	6.9	4.8	5.8	5.2	4.2
EV/EBIT	16.1	21.3	9.8	12.0	9.9	7.1
P/E	10.0	n.m.	n.m.	-42.2	15.4	8.2

Source: Intermonte SIM estimates

Change in Estimates					
(Eu mn)	2024A	2025A	2026E	2027E	2028E
Sales new	239.5	257.6	279.7	301.4	324.8
Sales old		260.2	281.3	303.9	324.9
% change		-1.0%	-0.6%	-0.8%	0.0%
EBITDA new	41.1	40.5	46.9	55.6	62.1
EBITDA old		44.3	51.1	57.9	63.7
% change		-8.5%	-8.2%	-4.0%	-2.5%
EBIT new	20.4	19.5	24.8	33.0	39.7
EBIT old		23.6	30.1	36.8	43.5
% change		-17.3%	-17.6%	-10.3%	-8.7%
Pre tax Profit new	3.8	-0.2	10.0	18.8	25.9
Pre tax Profit old		6.0	15.3	22.6	29.7
% change		-103.6%	-34.6%	-16.8%	-12.8%
Net Profit new	-5.2	2.1	7.5	14.1	19.4
Net Profit old		4.1	11.5	17.0	22.3
% change		-48.1%	-34.6%	-16.8%	-12.8%
Net Debt new	147.0	130.4	126.6	115.4	101.6
Net Debt old		136.1	126.3	113.1	96.4
% change		-4.2%	0.2%	2.1%	5.3%

Source: Company data, Intermonte estimates

Financials

Profit & Loss

(Eu mn)	2022	2023	2024	2025	2026E	2027E
Energy	58	68	77	97	108	116
Trencher	134	137	125	108	114	122
Railway	53	47	50	53	57	63
Revenues	245.2	251.9	252.9	257.6	279.7	301.4
YoY change %	26%	3%	0%	8%	9%	8%
YoY change Eu mn	51	7	1	18	22	22
Operating costs	-210	-218	-212	-217	-233	-246
YoY change %	26%	4%	-3%	9%	7%	6%
Energy	7.8	10.0	11.3	19.4	22.4	25.6
Trencher	13.4	15.4	20.2	11.0	13.3	16.8
Railway	14.0	8.6	9.5	10.2	11.2	13.2
EBITDA	35.2	34.0	41.1	40.5	46.9	55.6
margin %	14.4%	13.5%	16.2%	15.7%	16.8%	18.4%
YoY change %	25.1%	-3.3%	20.7%	-1.3%	15.7%	18.6%
D&A	-22.1	-23.0	-20.7	-21.0	-22.1	-22.6
EBIT	13.1	11.1	20.4	19.5	24.8	33.0
margin %	7.5%	4.4%	8.1%	7.6%	8.9%	10.9%
YoY change %	130.7%	-15.7%	84.1%	-4.2%	27.1%	33.1%
Financial expenses	-1.507	-15.655	-16.6	-19.734	-14.8	-14.2
Pretax profit	11.6	-4.6	3.8	-0.2	10.0	18.8
YoY change %	329.8%	-139.6%	-182.1%	-105.7%	-4751.2%	88.0%
Taxes	-3.7	1.9	-3.6	-2.2	-2.5	-4.7
Tax rate %	31.8%	41.3%	95.5%	-1019.1%	25.0%	25.0%
Net Profit before minorities	7.9	-2.7	0.2	-2.4	7.5	14.1
YoY change %	554.8%	-134.1%	-106.3%	-1515.3%	-411.7%	88.0%
Minorities	0.0	-0.3	-5.4	4.5	0.0	0.0
Net Profit	7.9	-3.0	-5.2	2.1	7.5	14.1
YoY change %	554.8%	-137.5%	76.2%	-140.7%	252.6%	88.0%
Per share data	2022	2023	2024	2025	2026E	2027E
Number of shares m	606.5	606.5	606.5	606.5	606.5	606.5
Shares net of treasury shares	601.7	601.7	601.7	601.7	601.7	601.7
EPS Adj.	0.013	-0.005	0.000	-0.004	0.012	0.023
growth %	554.8%	-137.5%	-95.6%	1725.4%	-416.1%	88.0%
FCF per share	-0.003	-0.017	-0.005	0.035	0.006	0.018
BVPS	0.135	0.126	0.125	0.128	0.141	0.164

Source: Intermonte SIM

Balance Sheet

(Eu mn)	2022	2023	2024	2025	2026E	2027E
Intangible assets	32.3	39.3	42.2	42.2	42.2	42.2
Tangible assets	73.7	74.0	57.6	67.5	69.7	72.0
Financial assets	5.6	6.3	7.1	7.1	7.1	7.1
Net fixed assets	111.6	119.6	106.9	116.8	119.0	121.3
Inventories	101.4	110.6	96.1	87.7	95.1	102.5
Receivables	56.2	45.6	55.4	61.1	66.3	71.4
Payables	-74.2	-82.8	-79.9	-103.8	-114.7	-126.6
Other assets/liabilities	-2.8	13.4	28.2	26.8	26.8	26.8
Net working capital	80.6	86.8	99.8	72.0	73.5	74.1
Other long term assets/liabilities	19.5	25.3	17.8	15.5	16.7	16.7
Net Invested Capital	211.8	231.7	224.6	204.2	209.3	212.2
Net Debt /(Cash)	128.4	153.5	147.0	130.4	126.6	115.4
Minorities	1.7	2.0	2.0	-2.5	-2.5	-2.5
Shareholders funds	81.7	76.2	75.6	77.7	85.2	99.3
Total Shareholders Funds	83.4	78.2	77.6	73.7	82.7	96.8
Total Sources	211.8	231.7	224.6	204.2	209.3	212.2

Source: Intermonte SIM

Cash Flow

(Eu mn)	2022	2023	2024	2025	2026E	2027E
EBITDA	35.2	34.0	41.1	40.5	46.9	55.6
Capex	-25.0	-16.4	-18.5	-25.0	-24.3	-24.9
Taxes	-2.7	1.9	0.3	-2.2	-2.5	-4.7
Change in working capital	-4.1	-6.2	-13.0	27.8	-1.5	-0.6
Other operating items	-3.7	-7.7	3.7	0.0	0.0	0.0
Financial charges	-1.5	-15.7	-16.6	-19.7	-14.8	-14.2
Free Cash Flow	-1.8	-10.0	-3.0	21.4	3.8	11.2
Acquisitions/Disposals	-5.5	0.0	0.0	0.0	0.0	0.0
Change in Equity	0.0	0.0	0.0	-6.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	-15.1	9.5	1.2	0.0	0.0
Decrease/(Increase) in Net Debt	-7.3	-25.1	6.5	16.6	3.8	11.2
Net Debt end of period	128.4	153.5	147.0	130.4	126.6	115.4
Capex/Sales	10.2%	6.5%	7.3%	9.7%	8.7%	8.3%
Working Capital/Sales	32.9%	34.5%	39.5%	27.9%	26.3%	24.6%
Net Debt/EBITDA	3.6 x	4.5 x	3.6 x	3.2 x	2.7 x	2.1 x

Source: Intermonte SIM

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	TESMEC		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	0.19	Previous Target (Eu):	0.17
Current Price (Eu):	0.17	Previous Price (Eu):	0.11
Date of report:	12/03/2026	Date of last report:	10/11/2025

IMPORTANT DISCLOSURES

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: the prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	31.30%
OUTPERFORM:	38.17%
NEUTRAL:	30.53%
UNDERPERFORM:	00.00%
SELL:	00.00%

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BUY:	52.00%
OUTPERFORM:	29.33%
NEUTRAL:	17.34%
UNDERPERFORM:	01.33%
SELL:	00.00%

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