Milan, 18 June 2026

Italian Equity Research – Company Update

TESMEC

OUTPERFORM

Sector: Industrials

Price: Eu0.33 - **Target: Eu0.46**

Energy accelerating, leverage falling

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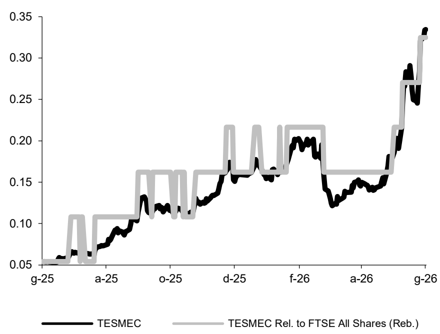
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 0.19 to 0.46
	2026E	**2027E**	**2028E**
Chg in Adj EPS	43.4%	28.8%	30.7%

TESMEC - 12M Performance



Stock Data			
Reuters code:			TES.MI
Bloomberg code:			TES IM
Performance	**1M**	**3M**	**12M**
Absolute	90.5%	146.3%	518.3%
Relative	83.4%	128.9%	485.9%
12M (H/L)			0.33/0.05
3M Average Volume (th):			8,691.52

Shareholder Data	
No. of Ord shares (mn):	606
Total no. of shares (mn):	606
Mkt Cap Ord (Eu mn):	203
Total Mkt Cap (Eu mn):	203
Mkt Float - Ord (Eu mn):	95
Mkt Float (in %):	46.6%
Main Shareholder:	
TTC	47.8%

Balance Sheet Data	
Book Value (Eu mn):	88
BVPS (Eu):	0.15
P/BV:	2.3
Net Financial Position (Eu mn):	-119
Enterprise Value (Eu mn):	322

- **Geared to the electricity-grid cycle: Outperform confirmed, TP raised to Eu0.46 (from Eu0.19).** Tesmec supplies strategic infrastructure technology through three divisions, Energy (stringing and smart-grid automation, 38% of FY25 revenues), Trencher (42%) and Rail (21%), with ~75% of sales outside Italy and a backlog of Eu474mn as at 1Q26 (+32% YoY), of which ~Eu350mn with a duration of 4-5 years (Energy Automation and Rail). The upgrade rests on four pillars: (i) Energy is the structural growth driver, with revenues forecast to rise 15% per year to 2028E on committed, authority-approved grid CapEx; (ii) safety and digitalisation regulation shifts the mix toward recurring, higher-value services across all three divisions; (iii) the Trencher repositioning toward mining and large machines lifts divisional mix and margins; and (iv) deleveraging combines with a 50% EV/EBITDA peer discount to amplify the equity re-rating.
- **Energy margins and deleveraging are the core structural drivers**. Energy revenues are forecast to rise from Eu97mn (2025) to Eu146mn in 2028E (a 15% CAGR) on authority-approved grid CapEx (Terna Eu23bn, EU Grid Action Plan Eu584bn, European smart grid +15% CAGR to 2028); the margin inflection is already visible, with the Stringing EBITDA margin at 24.3% in 1Q26 (from 15.5%) and Energy at 58% of consolidated EBITDA. In parallel, net debt is set to come down from Eu130mn (2025A) to Eu90mn in 2028E (net debt/EBITDA from 3.2x to 1.3x), based on a self-liquidating trajectory (no dividend, CapEx of ~Eu25mn/year) on a balance sheet where deleveraging accrues to equity. There may be M&A involving industry partners (engineering companies) to support access to key markets.
- **Earnings trend.** We are raising 2026-28E sales by +1%/+3%/+5% (to Eu281mn/ Eu310mn/ Eu342mn), EBITDA by +7%/+10%/+15% (to Eu50mn/ Eu61mn/ Eu71mn) and net profit by +43%/+29%/+31% (to Eu11mn/ Eu18mn/ Eu25mn), with net debt cut by 6%/7%/11% (to Eu119mn/ Eu107mn/ Eu90mn). The drivers are the margin upside in Energy, normalising financial charges (Eu13.3mn in 2026E vs. Eu19.7mn in FY25, which included a Eu3.4mn ForEx loss) and the structurally lighter working capital in a growing Stringing mix. Our numbers sit within management's FY26 guidance for growth in the main items on the income statement and net debt below the 31 March 2026 level (Eu126mn). 1Q26 delivery (sales +7%, EBITDA Eu10.1mn, counter-seasonal NFP reduction) supports the projected trajectory.
- **Our DCF model yields a target of Eu0.46; peer multiples corroborate.** We primarily value Tesmec on a DCF, cross-checked against a weighted peer-multiple panel. The DCF sets our target price at Eu0.46. We are discounting five years of explicit unlevered free cash flow (2027E-2031E) plus a terminal value at a 9.1% WACC (9.0% previously) and a 3.0% perpetual growth rate (2.0%), resulting in a fair equity value of Eu277mn (previously Eu114mn), or Eu0.46 per share on 601.7mn shares net of treasury. Tesmec is trading at 6.4x EV/EBITDA 2026E, a 50% discount to our weighted panel (70% Energy automation/stringing names, 30% Trencher/Rail names, mirroring the profit mix), At our Eu0.46 TP, Tesmec would trade at 8.0x EV/EBITDA 2026E, still 38% below the weighted panel.

Key Figures & Ratios	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
Sales (Eu mn)	240	258	281	310	342
EBITDA Adj (Eu mn)	41	41	50	61	71
Net Profit Adj (Eu mn)	0	-2	11	18	25
EPS New Adj (Eu)	0.000	-0.004	0.018	0.030	0.042
EPS Old Adj (Eu)	0.000	-0.004	0.012	0.023	0.032
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	4.9	4.5	6.4	5.1	4.1
EV/EBIT Adj	9.9	8.9	11.4	8.0	6.1
P/E Adj	nm	nm	18.7	11.1	7.9
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	3.6	3.2	2.4	1.8	1.3

TESMEC – Key Figures

Profit & Loss (Eu mn)	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
Sales	252	240	258	281	310	342
EBITDA	34	41	41	50	61	71
EBIT	11	20	20	28	39	48
Financial Income (charges)	-16	-17	-20	-13	-13	-13
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	-5	4	1	15	25	36
Taxes	2	-4	-3	-4	-7	-10
Tax rate	41.3%	95.5%	478.3%	28.3%	28.5%	28.5%
Minorities & Discontinued Operations	-0	-5	5	0	0	0
Net Profit	-3	-5	2	11	18	25
EBITDA Adj	34	41	41	50	61	71
EBIT Adj	11	20	20	28	39	48
Net Profit Adj	-3	-0	-2	11	18	25
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	0.018	0.030	0.042
EPS Adj f.d	-0.005	0.000	-0.004	0.018	0.030	0.042
BVPS f.d	0.126	0.125	0.128	0.146	0.176	0.218
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	40	44	52
Change in NWC	2	0	-3	-4	-7	-10
Capital Expenditure	-16	-25	-25	-24	-25	-25
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	-10	-9	21	11	12	17
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	16	11	12	17
Balance Sheet (Eu mn)	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
Total Fixed Assets	120	107	117	119	122	124
Net Working Capital	87	100	72	69	73	79
Long term Liabilities	25	18	16	17	17	17
Net Capital Employed	232	225	204	205	211	219
Net Cash (Debt)	-154	-147	-130	-119	-107	-90
Group Equity	78	78	74	86	104	129
Minorities	2	2	-3	-3	-3	-3
Net Equity	76	76	78	88	107	132
Enterprise Value (Eu mn)	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
Average Mkt Cap	83	54	51	203	203	203
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	-154	-147	-130	-119	-107	-90
Enterprise Value	236	201	182	322	310	293
Ratios (%)	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
EBITDA Adj Margin	13.5%	17.1%	15.7%	17.9%	19.7%	20.8%
EBIT Adj Margin	4.4%	8.5%	7.9%	10.1%	12.5%	14.1%
Gearing - Debt/Equity	196.3%	189.4%	176.9%	138.7%	102.7%	69.5%
Interest Cover on EBIT	0.7	1.2	1.0	2.1	2.9	3.8
Net Debt/EBITDA Adj	4.5	3.6	3.2	2.4	1.8	1.3
ROACE*	5.0%	8.9%	9.5%	13.8%	18.6%	22.4%
ROE*	-3.8%	-0.2%	-3.1%	12.9%	18.6%	21.3%
EV/CE	1.1	0.9	0.8	1.6	1.5	1.4
EV/Sales	0.9	0.8	0.7	1.1	1.0	0.9
EV/EBITDA Adj	6.9	4.9	4.5	6.4	5.1	4.1
EV/EBIT Adj	21.4	9.9	8.9	11.4	8.0	6.1
Free Cash Flow Yield	-4.9%	-4.6%	10.1%	5.5%	6.0%	8.4%
Growth Rates (%)	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
Sales	2.7%	-4.9%	7.6%	9.2%	10.2%	10.4%
EBITDA Adj	-3.3%	20.7%	-1.3%	24.4%	21.2%	16.7%
EBIT Adj	-15.7%	84.1%	0.0%	38.9%	36.7%	24.8%
Net Profit Adj	nm	nm	nm	nm	68.9%	39.8%
EPS Adj	nm	nm	nm	nm	68.9%	39.8%
DPS						

*Excluding extraordinary items Source: Intermonte SIM estimates

Contents

Tesmec at a Glance

Company description

Tesmec is an Italian industrial group specialising in technologies for the construction, maintenance and management of strategic infrastructure, with Eu258mn of FY25 revenues and over 900 employees serving customers from seven plants in Italy, France and the US. The Energy division (38% of FY25 revenues) supplies stringing equipment and customised smart-grid automation; Trencher (42%) holds a near-unique position in mechanised excavation and surface mining; Rail (21%) provides catenary technologies and AI-assisted infrastructure diagnostics. The group is a geared play on grid CapEx and deleveraging.

Management

Chairman: Ambrogio Caccia Dominioni

CEO (Governance and corporate): Caterina Caccia Dominioni

CEO (Energy development): Carlo Caccia Dominioni

Financial Reporting Officer: Ruggero Gambini

Independent Board Members: 5/10

Shareholding

TTC S.r.l.	47.8%
Palladio Holding	4.8%
Treasury shares	0.8%
Free Float	31.8%

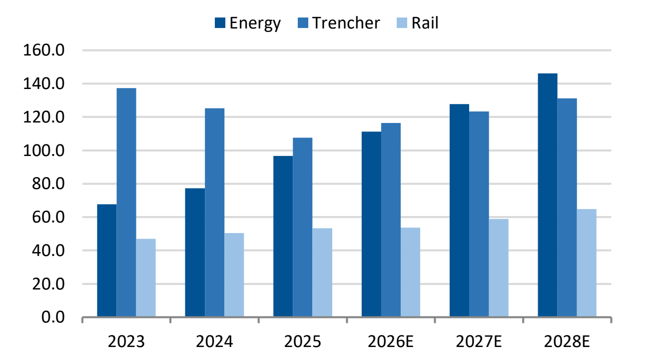
Strengths/Opportunities

- Committed, authority-approved grid-capex cycle, US data-centre power demand
- Eu474mn backlog at 1Q26 (+32% YoY) provides revenue visibility well beyond FY26
- Deleveraging: net debt/EBITDA down to 1.3x by 2028E.
- Potential M&A to support positioning in key markets.

Weaknesses/Threats

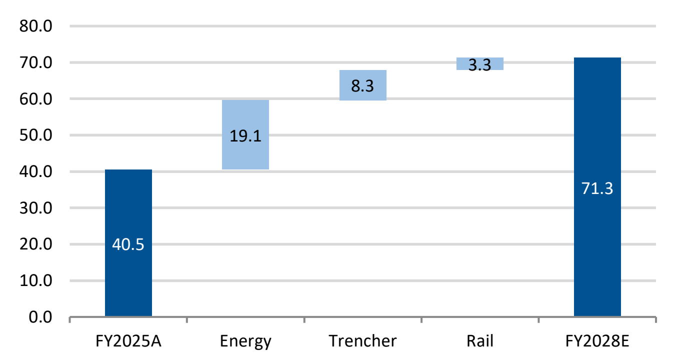
- Trencher is cyclical with a short-cycle (<1 year) backlog.
- Rail margins hinge on H2 2026 backlog conversion.
- Family control (65% of votes on 48% of capital) limit governance appeal; no dividend payment included in our estimates.

Tesmec: Revenueby division (Eu mn)



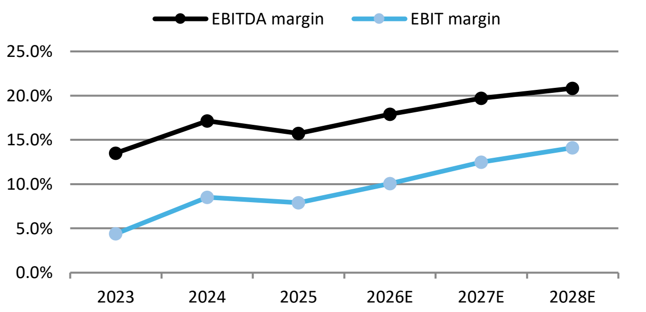
Source: company data, Intermonte SIM

Tesmec: EBITDA bridge FY25-28E (Eu mn)



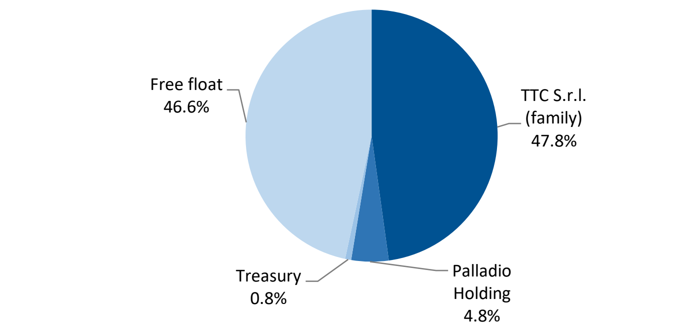
Source: company data, Intermonte SIM

Tesmec: EBITDA and EBIT Margins Trend



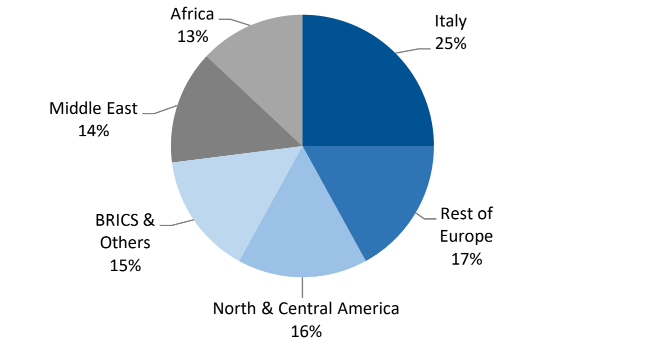
Source: Company data, Intermonte SIM

Tesmec: Shareholding Structure



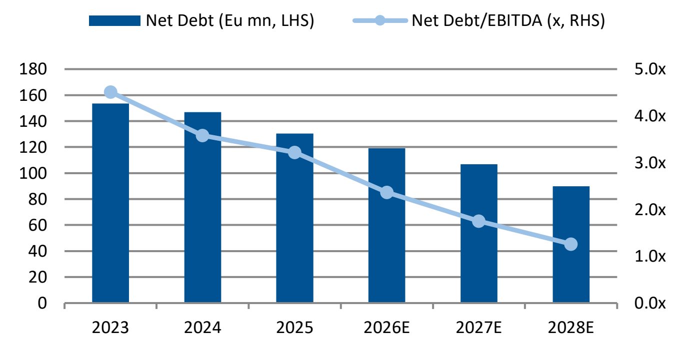
Source: Company data

Tesmec: Revenue by Geography FY25



Source: Company data

Tesmec: Net debt and net debt/EBITDA



Source: Company data, Intermonte SIM

Executive Summary

We confirm our OUTPERFORM rating on Tesmec, raising our target price to Eu0.46 per share (from Eu0.19), implying +38% upside vs. the current share price. The upgrade reflects three developments that build on one another. First, estimates: we are raising 2026-28E EBITDA by 7.5-14.8% based on the evidence of 1Q26 margins, when the Energy division's EBITDA margin reached 22.4% led by Stringing. Second, deleveraging: we see net debt falling from Eu130mn (2025A) to Eu90mn by 2028E, taking net debt/EBITDA from 3.2x to 1.3x on geared equity. Third, valuation: the stock is still trading at 6.4x EV/EBITDA 2026E, a 50% discount to its weighted peer panel.

Tesmec is an Italian industrial group supplying technology for the construction, maintenance and management of strategic infrastructure through three divisions: Energy (stringing equipment and smart-grid automation; FY25 revenue Eu97mn, 38% of group), Trencher (mechanised excavation and surface mining; Eu108mn, 42%) and Rail (catenary and AI-assisted diagnostics; Eu53mn, 21%). Around 75% of revenue is generated outside Italy, with seven plants in Italy, France and the US (Alvarado, Texas, which produces only for the US market). The order backlog reached Eu474mn at 1Q26 (+32% YoY), of which Eu240mn related to the Energy business (Automation Eu185mn, Stringing Eu55mn), Eu161mn to the Rail business, and Eu73mn to Trencher. We note the duration of the Energy-Automation and Rail backlog is 4-5 years, anchored by the Eu54mn Terna framework, the Eu40mn+ 8-year Enedis contract and the Eu71mn Slovenia rail award signed in March 2026.

The Caccia Dominioni family controls the group through TTC S.r.l. with 47.8% of the capital and 64.5% of voting rights under the loyalty-voting structure, and operates through a dual-CEO structure (Caterina Caccia Dominioni, governance; Carlo Caccia Dominioni, Energy development). Capital allocation includes deleveraging as the explicit priority, and a renewed 10%-of-capital buyback as optionality. Concentrated voting control and small-cap liquidity have historically contributed to a valuation discount versus fundamentally comparable peers.

Our investment case rests on four pillars: (i) Energy is the structural growth driver, with revenues forecast to rise 15% per year to 2028E on committed, authority-approved grid CapEx; (ii) safety and digitalisation regulation shifts the mix toward recurring, higher-value services across all three divisions; (iii) the Trencher repositioning toward mining and large machines lifts divisional mix and margins; and (iv) deleveraging combines with a 42% EV/EBITDA peer discount to amplify the equity re-rating, with our updated DCF returning Eu0.46 per share.

Energy Is Geared to a Multi-Year Grid Capex Cycle

Energy (Stringing + Automation) is Tesmec's fastest-growing and most visible division. We expect revenues to rise from Eu97mn in 2025 to Eu146mn in 2028E (+15% CAGR). Demand is anchored in committed, authority-approved investment programmes: Terna's 2025 Development Plan (Eu23bn over ten years, +10%), the EU Grid Action Plan (Eu584bn by 2030) and a European smart-grid market scaling from Eu13.8bn to Eu24.3bn by 2028 (+15% CAGR). The structural pulls, electrification, renewable integration (bidirectional and substation-intensive), and US data centre power demand all convert into more stringing and more digital substations.

The Stringing EBITDA margin stepped up to 24.3% in 1Q26 (from 15.5%), with revenues from the US Condux JV nearly doubling to Eu8.5mn. Automation is a customised, country-by-country business in which the global majors typically do not tailor solutions, making Tesmec's flexibility a key competitive advantage.

Safety and Digitalisation Are Shifting the Mix toward Recurring, Higher-Value Services

Tightening safety standards and mandatory predictive diagnostics on both electrical and rail networks are moving Tesmec from an equipment supplier to a provider of integrated, data-driven solutions with recurring revenues. The company already operates eight diagnostic vehicles on Italy's RFI network and is building the "jobsite of the future" (robotised and electric) improving operator safety in extreme-condition stringing. Rail will hold up on higher prices and customer advances outside Italy: the Eu71mn Slovenia contract (4.5 years, 21 vehicles, 30% downpayment) lifted the Rail backlog from Eu117mn to Eu161mn in a single quarter

The Trencher Repositioning toward Mining and Large Machines Lifts Mix and Margins

Tesmec is steering Trenchers away from fibre exposure toward surface mining (critical-minerals cycle) and larger, higher-productivity machines, simplifying the portfolio. The global trencher market is set to grow from Eu1.9bn (2024) to Eu3.7bn (2034, +6.6% CAGR), with the Americas contributing 40% of the total. Within the division, exposure is rotating toward mining (~40%) and pipelines (~40%) and away from energy/fibre (~20%); US Trencher profitability improved in 1Q26 even on lower revenues.

Deleveraging Drives an Amplified Equity Re-Rating

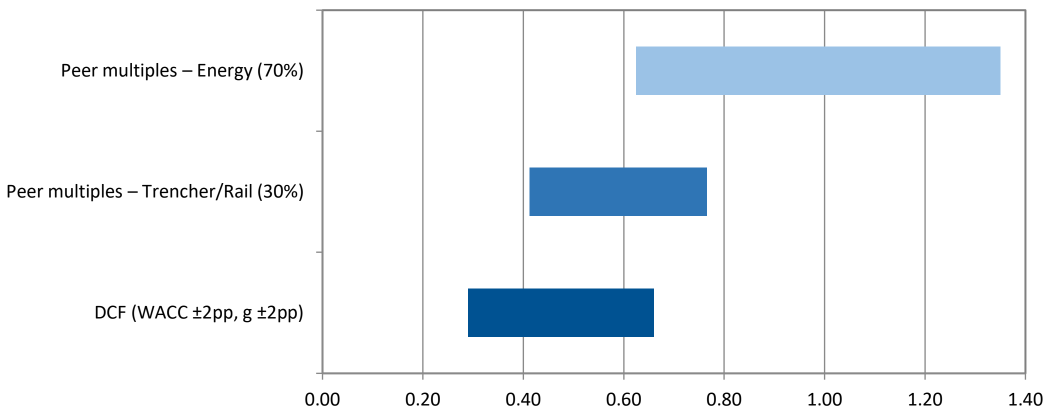
We expect net debt to fall from Eu130mn (2025A) to Eu90mn, with net debt/EBITDA coming down from 3.2x to 1.3x by 2028E, extending a descent that started from Eu153mn and 4.5x leverage in 2023, the figure is now almost Eu60mn below the NFP peak of Eu184mn in June 2024. On a balance sheet that still carries meaningful leverage, both paying down debt and any enterprise re-rating accrue disproportionately to equity value.

Valuation

We primarily value Tesmec on a DCF, cross-checked against a weighted peer-multiple panel. The DCF sets our target price at Eu0.46. We are discounting five years of explicit unlevered free cash flow (2027E-2031E) plus a terminal value at a 9.1% WACC (9.0% previously) and a 3.0% perpetual growth rate (2.0%), resulting in a fair equity value of Eu277mn (previously Eu114mn), or Eu0.46 per share on 601.7mn shares net of treasury.

Tesmec is trading at 6.4x EV/EBITDA 2026E, a 50% discount to our weighted panel (12.9x; 70% Energy automation/stringing names, 30% Trencher/Rail names, mirroring the profit mix), widening to 56-62% on 2027-28E; on P/E the discount is 15% on 2026E (18.8x vs. 22.1x), widening to 40-51% on 2027-28E as financial charges come down. Applying median figures for just the Trencher/Rail group to our estimates implies a fair value of Eu0.41-0.67 per share, while the Energy group median implies Eu0.62-1.35. At our Eu0.46 TP, Tesmec would trade at 8.0x EV/EBITDA 2026E, still 38% below the weighted panel.

Tesmec- Valuation Range (Eu per share)



Source: Intermonte SIM. Peer bands = avg of 2026-27E implied fair values (EV/EBITDA and P/E group medians applied to Intermonte estimates)

Earnings trend

We are raising 2026-28E sales by +1%/+3%/+5% (to Eu281mn/ Eu310mn/ Eu342mn), EBITDA by +7%/+10%/+15% (to Eu50mn/ Eu61mn/ Eu71mn) and net profit by +43%/+29%/+31% (to Eu11mn/ Eu18mn/ Eu25mn), with net debt cut by 6%/7%/11% (to Eu119mn/ Eu107mn/ Eu90mn). The drivers are the margin upside in Energy, normalising financial charges (Eu13.3mn in 2026E vs. Eu19.7mn in FY25, which included a Eu3.4mn ForEx loss) and the structurally lighter working capital in a growing Stringing mix.

Our numbers sit within management's FY26 guidance for growth in the main items on the income statement and net debt below the 31 March 2026 level (Eu126mn). 1Q26 delivery (sales +7%, EBITDA Eu10.1mn, counter-seasonal NFP reduction) supports the projected trajectory.

Tesmec- Key Financial Data

Eu mn	2023	2024	2025	2026E	2027E	2028E	CAGR 25-28E
Revenues	251.9	239.5	257.6	281.4	310.1	342.2	9.9%
YoY Growth (%)	2.7%	-4.9%	7.6%	9.2%	10.2%	10.4%	
EBITDA	34.0	41.1	40.5	50.4	61.1	71.3	20.7%
EBITDA Margin (%)	13.5%	17.1%	15.7%	17.9%	19.7%	20.8%	
EBIT	11.1	20.4	20.4	28.3	38.7	48.3	33.3%
EBIT margin (%)	4.4%	8.5%	7.9%	10.1%	12.5%	14.1%	
Net Profit	-3.0	-5.2	2.1	10.8	18.2	25.4	128.5%
EPS	0.00	0.00	0.00	0.02	0.03	0.04	n.m.
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.0%
Invested Capital	231.7	224.6	204.2	205.1	211.0	219.5	2.4%
Shareholder Equity	76.2	75.6	77.7	88.5	106.6	132.0	19.3%
Net debt /(cash)	153.5	147.0	130.4	119.2	106.9	90.0	-11.6%

Source: Company data, Intermonte Sim

Key Risks

- **Trencher cyclicality and project execution.** Trencher is the most cyclical division: 1Q26 revenues fell 7% YoY, with the EBITDA margin narrowing to 11.8% (from 17.2%) on weak starts to the year in Australia and West Africa and an unfavourable contribution from the French JV (Marais); the backlog is short-cycle (<1 year), offering limited forward visibility. However, the corner is already being turned, with QoQ improvement in 1Q26, a strong US margin recovery, and a deliberate margin-over-volume strategy, while the repositioning toward critical-minerals surface mining structurally lifts the divisional mix.
- **Leverage and refinancing**. Tesmec still carries Eu126mn of net debt (1Q26) against a Eu195mn market capitalisation; slower-than-expected deleveraging would directly burden the geared equity case. However, 55% of NFP is self-liquidating operating debt and only Eu30mn is structural industrial debt; the Eu55mn 2025 club deal extends maturities to 2031.
- **Backlog conversion timing and customer concentration**. The bull case leans on a multi-year Energy-Automation and Rail backlog (Eu350mn) anchored by a few large frameworks (Terna, Enedis, Slovenia); Rail margins in particular hinge on conversion in 2H26.
- **Governance and stock liquidity**. The Caccia Dominioni family controls 65% of votes on 48% of the capital through enhanced/loyalty voting, and the 47% free float with no dividend leaves a relatively illiquid small cap. A renewed mandate for a buyback on 10% of the capital adds optionality, even as deleveraging remains the priority capital allocation lever.

Business Overview

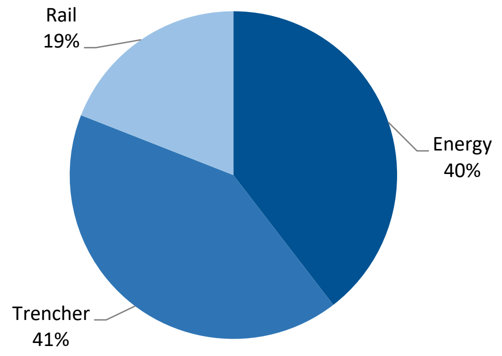
Tesmec S.p.A. is an Italian industrial group that designs, manufactures and services technology for the construction, maintenance and management of strategic infrastructure across electricity grids, rail networks and natural resources. The group operates through three business units (Energy, Trencher and Rail) built on a vertically integrated model that combines machines, on-board electronics, software and specialised services. In FY25 Tesmec generated Eu258mn in revenues with EBITDA of Eu40.5mn (a 15.7% margin), and employed over 900 people across 7 plants in Italy, France and the United States.

Business Model & Revenue Generation

Tesmec generates revenue through three channels that differ in cyclicality and visibility. The first is the sale of machines and equipment (stringing machines, trenchers, surface miners, rail vehicles), recognised at delivery/acceptance. The second is long-term project work in Rail and Energy-Automation, recognised on a percentage-of-completion basis, which carries multi-year backlog and far greater visibility. The third is recurring revenue, rental, spare parts, maintenance, revamping, diagnostics and training, which the group is deliberately growing as it shifts its role from an equipment vendor toward an integrated solutions provider. Recurring revenue represented 48% of FY25 sales, and management's stated ambition is to lift this share over time.

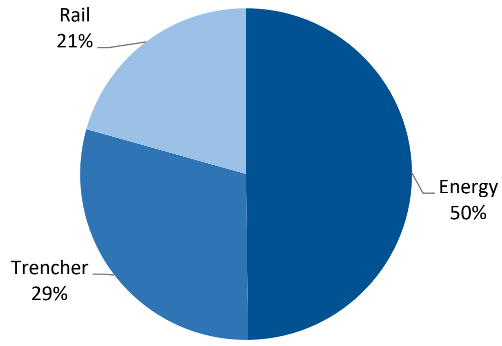
The three divisions contribute differently to revenue and profitability. In FY25, **Trencher** was still the largest by sales (Eu108mn, 42% of group), ahead of **Energy** (Eu97mn, 37%) and **Rail** (Eu53mn, 21%); but on EBITDA the ranking already inverts, with Energy the most profitable division (Eu19mn, 20.1% margin) versus Trencher (Eu11mn, 10.2%) and Rail (Eu10mn, 19.0%). On our 2026E estimates the mix tilts further: Energy rises to 50% of divisional EBITDA on a 22.6% margin, while Trencher and Rail contribute 29% and 21% respectively. This rebalancing toward the highest-margin division is a key driver of growth.

Tesmec: Revenue by Division (FY26E)



Source: Intermonte

Tesmec: EBITDA by division (FY26E)



Source: Intermonte

Geographically, 75% of FY25 revenue was generated outside Italy, a diversified split across Italy (25%), Rest of Europe (17%), North & Central America (16%), BRICS & Others (15%), Middle East (14%) and Africa (13%). The footprint provides manufacturing flexibility, with Italian plants providing high-value engineering and the manufacturing at Alvarado (Texas) serving the US market.

Structural Growth Drivers

Tesmec frames its three businesses around two structural, multi-year demand drivers (the energy transition and the rise of safety and digitalisation standards) into which each division is embedded.

Energy transition. Structurally rising electricity demand, driven in developed markets by data centres (AI/hyperscale) and in developing markets by urbanisation and electrification, combined with the bidirectional nature of renewables, is forcing a wave of grid expansion, new substations and grid digitalisation. The committed capex behind this is large and authority-approved rather than cyclical: Terna's 2025 Development Plan commits Eu23bn over ten years (+10% vs the prior plan), the EU Grid Action Plan identifies Eu584bn of transmission investment needed by 2030, and the European smart-grid market is forecast to scale from Eu13.8bn to Eu24.3bn by 2028 (+15% CAGR). For Tesmec this converts directly into more stringing (new lines and corridors), more digital substations (Automation), more underground HV cable-laying (Trencher) and a 15-year substation replacement cycle now in full swing.

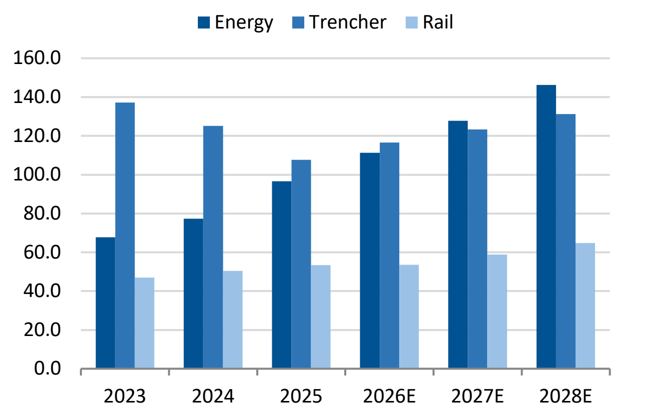
Safety and digitalisation. Tightening safety standards and increasingly mandatory predictive diagnostics on both electricity and rail networks are pushing customers from standalone machines toward connected, robotised, data-driven solutions, which raises Tesmec's value-add and its recurring-revenue content. The group leverages in-house automation and data-science capabilities to build the "jobsite of the future" (electric, robotised stringing for operator safety in extreme conditions) and predictive-diagnostic platforms (eight diagnostic vehicles already operating on Italy's RFI network; the bimodal "Tipo 4" vehicle). This driver embeds across all three divisions, substation automation in Energy, diagnostics and predictive maintenance in Rail, and "smart mining" (autonomous/remote-controlled machines) in Trencher.

Energy Segment

Energy is Tesmec's structural growth engine and its most visible division, comprising two sub-segments. **Stringing** supplies integrated tension-stringing equipment for the construction and maintenance of overhead transmission and distribution lines, including a full electric zero-emission machine line; **Automation** supplies smart-grid solutions, fault detectors, sensors, RTN substation automation systems and remote-control platforms, sitting at the heart of integrating renewables into traditional grids. We see divisional revenue rising from Eu97mn in 2025 to Eu146mn in 2028E (14.8% CAGR), with the EBITDA margin expanding from 20.1% to 26.3% as mix and operating leverage compound.

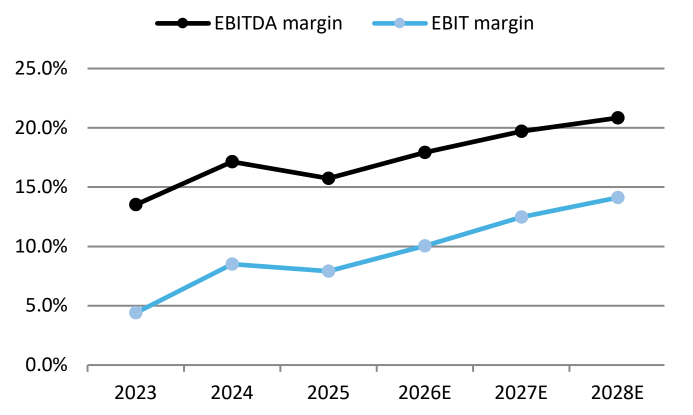
In 1Q26 the Stringing EBITDA margin stepped up to 24.3% (from 15.5%) on an improved product mix, the concentration of production at Grassobbio, operating leverage and a rising contribution from the US Condux JV. Visibility is anchored by multi-year frameworks: a Eu54mn 2021 SAS agreement with Terna and a Eu40mn+, 8-year Enedis contract (servicing France's distribution-network automation). The Energy backlog reached Eu228mn at YE25 (+40% YoY), of which Automation Eu186mn (4-5-year duration) and Stringing Eu42mn, rising to Eu240mn at 1Q26. The addressable market behind this franchise is expanding structurally, pulled up by renewable integration, modernisation of aging grids, and tightening interoperability standards. Automation is a customised, country-by-country business in which global majors do not tailor solutions, the source of Tesmec's competitive edge in this business.

Tesmec: Revenue by Division Eu mn (FY26E-FY28E)



Source: Intermonte Sim

Tesmec: EBITDA and EBIT Margin % (FY26E-FY28E)



Source: Intermonte Sim

Tesmec – Energy Value Drivers (Stringing + Automation)

MEGATREND	APPLICATION	MARKET NEED	TESMEC EXPERTISE	STRATEGY & VALUE
ENERGY TRANSITION	New transmission corridors & global energy demand	▪ Rising power demand and grid congestion ▪ Renewable integration acceleration ▪ Need for high-capacity, long-distance transmission	▪ Global leader in stringing systems for high-voltage and ultra-high-voltage transmission, with proven execution in complex projects ▪ Ability to deliver high-capacity, long-distance installations enabling next-generation transmission corridors and renewable integration at scale	▪ GLOBAL GRID CAPEX CYCLE: STRONG VISIBILITY
	Grid expansion in emerging markets	▪ Electrification driven by urbanisation and industrial growth ▪ Large-scale energy corridors in high-growth regions (India, MEA, LatAm)	▪ Scalable execution model across high-growth regions, supported by strong presence in key high-growth regions	▪ EXPANSION OF ADDRESSABLE MARKET ACROSS GEOGRAPHIES AND APPLICATIONS
DIGITAL & SAFE INFRASTRUCTURE	Smart grids, digital assets, predictive maintenance	▪ Grid modernisation ▪ Increasing safety requirements ▪ Asset efficiency and uptime	▪ Integrated stringing platform combining robotics, diagnostics and data-driven systems to enhance grid reliability, safety and performance ▪ Proprietary technologies enabling digitalisation, automation and monitoring of substations across increasingly complex grid environments	▪ HIGHER-MARGIN, TECHNOLOGY-DRIVEN SOLUTIONS ▪ SERVITISATION MODEL ENABLING RECURRING REVENUES

Source: Intermonte SIM on Company Presentation

Trencher Segment

Trencher offers a full range of mechanised excavation solutions, high-power trenchers for in-line excavation of pipelines, water systems, telecom/fibre and underground power lines, plus surface miners (Rock Hawg) for earthworks and surface mining, and specialised excavation/rental services. The division is being deliberately repositioned away from energy/fibre exposure toward surface mining (critical-minerals cycle) and larger, higher-productivity machines, with a simplified portfolio (TRS 1875 the flagship). Exposure is rotating toward mining (~40%) and pipelines (~40%) and away from fibre. The global trencher market is forecast to grow from ~Eu1.9bn (2024) to Eu3.7bn (2034, +6.6% CAGR), with the Americas at ~40% of the total, and Tesmec holds a strong position in mechanised trenching, with no direct competitor of comparable scale and product breadth.

After FY25 revenue of Eu108mn with the margin compressed to 10.2% on weak contributions from Australia/West Africa and the French JV (Marais), the division is turning the corner, with sequential improvement in 1Q26 and a strong recovery in margins in the US (1Q26 profitability improved even on lower revenue). We model revenue recovering to Eu131mn by 2028E (6.8% CAGR) with the margin rebuilding toward 14.7%. Backlog is short-cycle (<1 year) at Eu72mn (YE25). The former Groupe Marais rental business was deconsolidated in November 2025 and is now a 50%/50% JV booked at equity.

Tesmec – Trencher Value Drivers

MEGATREND	APPLICATION	MARKET NEED	TESMEC EXPERTISE	STRATEGY & VALUE
ENERGY TRANSITION	Energy & cable installation	▪ Renewable expansion and grid upgrades driving demand for underground HV cables ▪ Data centres and electrification accelerating cable deployment	▪ Unique positioning in mechanised trenching with no direct competition, enabling differentiation in high-value applications	▪ HIGH-VALUE MARKETS: USA, WESTERN EUROPE, MIDDLE EAST & OCEANIA
	Pipelines & infrastructure	▪ Energy demand driving expansion of oil & gas transport infrastructure ▪ Urbanisation accelerating water/wastewater pipelines and underground infrastructure ▪ Efficient execution in giga-projects in complex environments (Middle East)	▪ High-capacity machines with limited direct competition, increasingly equipped with smart features to ensure efficiency, flexibility and superior performance in complex and space-constrained projects	▪ SELECTIVE HIGH-MARGIN VERTICALS
DIGITAL & SAFE INFRASTRUCTURE	Surface mining	▪ Demand for critical mineral ▪ Pressure on productivity, safety and sustainability	▪ Continuous-excavation solutions as a safer alternative to drilling & blasting, with higher productivity and lower environmental impact	▪ LARGER, HIGHER-VALUE MACHINES: PORTFOLIO SIMPLIFICATION AND INDUSTRIAL EFFICIENCY

Source: Intermonte SIM on Company Presentation

Rail Segment

Rail supplies technologies for railway catenary systems and, increasingly, AI-assisted rail-infrastructure diagnostics, installation of catenary wire systems, specialised maintenance vehicles, and diagnostic vehicles/systems. The flagship product is the bimodal "Tipo 4" vehicle (electric or diesel-electric traction), part of RFI's fleet-renewal plan and EU Taxonomy-aligned; in Italy, eight Tesmec diagnostic vehicles already operate on the RFI network at key nodes (Milan, Florence, Rome). The aim is to internationalise these diagnostic and maintenance technologies, where prices/margins and customer advances are higher outside Italy.

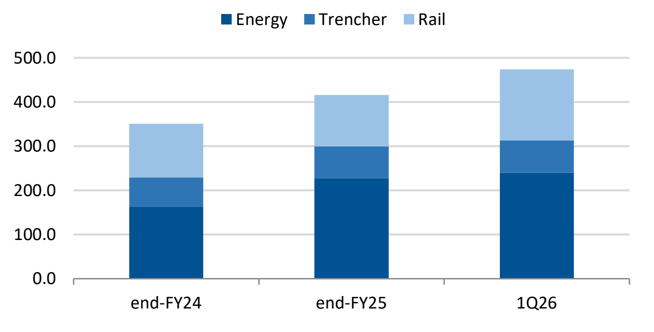
The catalyst is the Eu71mn Slovenia contract (SŽ-Infrastruktura, signed March 2026): 21 technological vehicles over 4.5 years, a proof of concept for exporting the Italy-built platform across Europe at scale. It lifted the Rail backlog from Eu117mn (YE25) to Eu161mn at 1Q26. An earlier validation of the group's export potential came in October 2024, when Tesmec Rail won a Swiss Federal Railways (FFS/SBB) tender to supply its patented, non-contact Sisvision diagnostic system (contract value up to Eu6.9mn), qualifying Tesmec as an approved supplier to one of Europe's most demanding rail networks and corroborating the cross-border case ahead of the larger Slovenia award. Crucially, this is not yet in the P&L: 1Q26 Rail revenue rose 5% YoY as new orders are not yet in execution, making 2H26 conversion the key trigger. We model revenue rising from Eu53mn (2025) to Eu65mn (2028E, 6.7% CAGR) with the margin holding up at around 19-21%; the multi-year (4-5-year) backlog provides strong visibility, and certifications are progressively broadening European market access.

Tesmec – Rail Value Drivers

MEGATREND	APPLICATION	MARKET NEED	TESMEC EXPERTISE	STRATEGY & VALUE
ENERGY TRANSITION	Catenary & electrification	▪ Electrification of existing diesel rail lines in developed markets, driven by decarbonisation targets ▪ Expansion of high-speed and urban corridors in emerging countries ▪ Increasing traffic intensity requiring higher maintenance needs	▪ Strong track record in railway electrification, with advanced solutions for catenary installation, maintenance and high-speed corridor development	▪ EXPOSURE TO STRUCTURAL CAPEX CYCLE ▪ STRONG POSITIONING IN LARGE-SCALE PROJECTS ▪ INSTALLED BASE ENABLING FUTURE SERVICES
DIGITAL & SAFE INFRASTRUCTURE	Diagnostics & predictive maintenance	▪ Ageing infrastructure and increased incident exposure leading to stricter safety regulations ▪ Pressure to optimise costs and asset availability ▪ Shift towards predictive, data-driven maintenance models	▪ Integrated diagnostic vehicles and AI-driven platforms; proprietary measurement and vision systems enabling real-time monitoring, proven on the Italian railway network (RFI)	▪ DIVERSIFICATION BY SEGMENT AND END-MARKET ▪ HIGHER VALUE-ADDED SERVICES ▪ RECURRING REVENUES

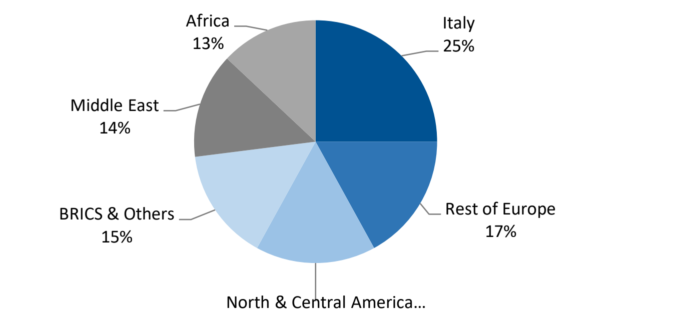
Source: Intermonte SIM on Company Presentation

Tesmec – Order backlog by division (Eu mn)



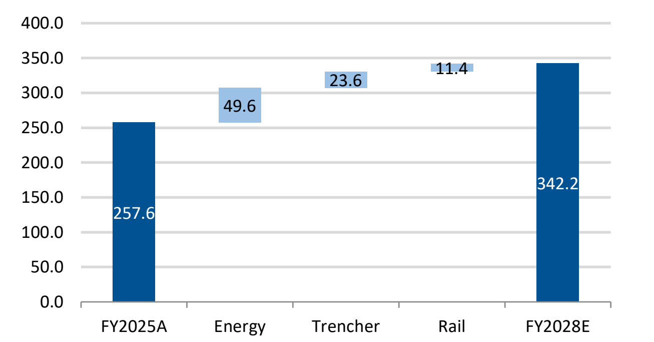
Source: Intermonte

Tesmec: Revenue by Geography (FY25 %)



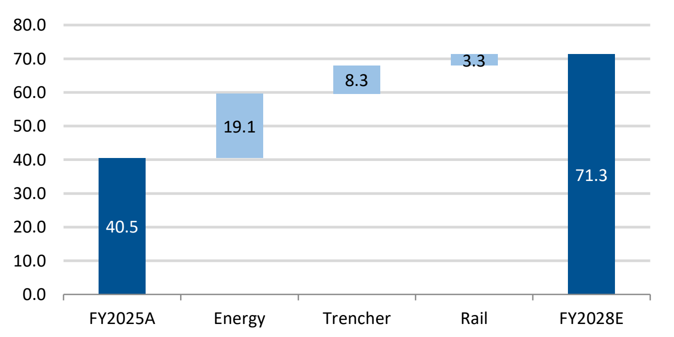
Source: Intermonte

Tesmec – Revenue Bridge FY25A–FY28E by Division (Eu mn)



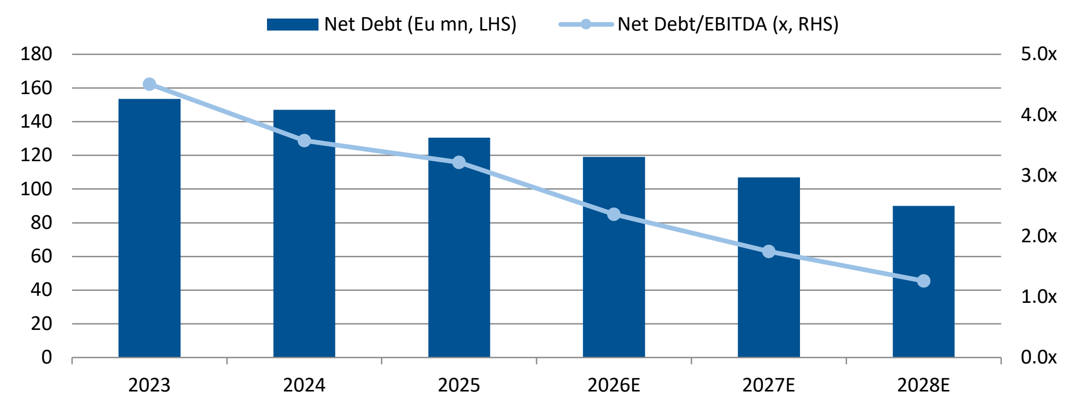
Source: Intermonte

Tesmec – EBITDA Bridge FY25A–FY28E by Division (Eu mn)



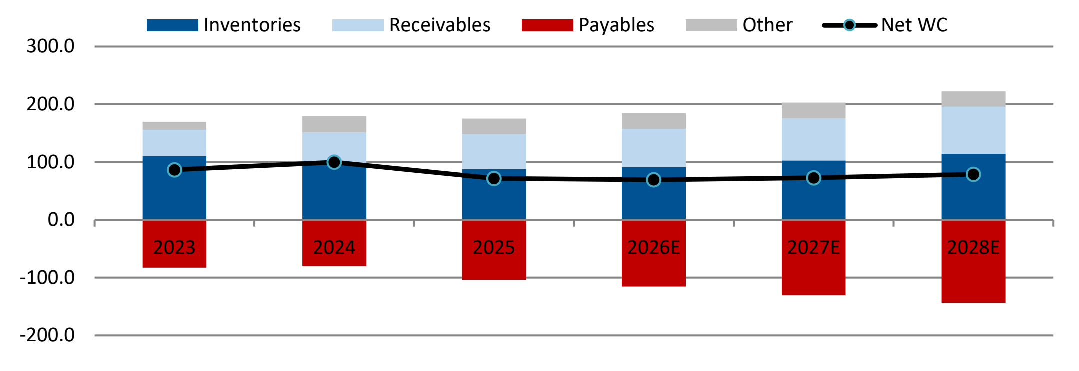
Source: Intermonte

Tesmec – Net Debt and net debt/EBITDA FY23-28E



Source: Company data, Intermonte Estimates

Tesmec – Working Capital breakdown FY23-28E



Source: Company data, Intermonte Estimates

Production Facilities

Tesmec operates seven plants across Italy, France and the United States, organised around its divisions. In Italy, Grassobbio (Bergamo) is the Energy Stringing and Automation hub (with a 1.8 MW photovoltaic plant), Sirone (Lecco) produces Trenchers, and Monopoli/Bitetto (Bari) host the Rail segment. In France, Durtal supports French Rail and Automation operations following the 2025 reorganisation. In the United States, Alvarado (Texas) manufactures Trencher and stringing/rail equipment and provides a natural USD hedge against US sales. The group had 929 employees at 1Q26, with the workforce concentrated in Italy.

Competitive Positioning

Tesmec is a technologically differentiated Italian capital-goods name operating across three structurally distinct end-markets: power transmission/distribution equipment (Energy), trenching and surface-mining machinery (Trencher), and railway infrastructure diagnostics and electrification (Rail).

In the Energy (Transmission & Distribution) business, the group is a recognised global leader in stringing equipment (the specialised machinery used to install overhead transmission and distribution conductors) and is building a complementary Energy Automation franchise (substations, smart-grid devices) anchored on blue-chip domestic relationships, notably a framework agreement with Terna for substation automation and supply to Enel for grid automation. Stringing is a deep, narrow niche: high engineering content, demanding safety requirements, and a global installed base that favours an incumbent with reference projects across continents. The Energy Automation leg is more competitive and more domestically concentrated, but the Terna/Enel framework contracts provide multi-year revenue visibility and a barrier rooted in qualification and reference.

In Rail (Infrastructure Diagnostics & Electrification), Tesmec supplies technology for railway electrification, maintenance, and diagnostics. The differentiating asset is certification: Tesmec holds Italian certification for track/infrastructure diagnostics at 140 km/h, a capability in which it is unique in Italy. That certification expensive and slow to replicate, and increasingly a requirement rather than a differentiator as European core-network lines move toward ≥160 km/h operating standards under TEN-T.

In Trencher (Trenching & Surface Mining), the franchise is built on high-powered crawler trenchers and surface miners for hard-rock excavation, with exposure split across mining (incl. bauxite), oil & gas / water pipelines, and a smaller fiber/energy-cable component. The competitive strategy is deliberately narrow: Tesmec concentrates on large machines for demanding, high-value applications (cross-country, large-diameter pipeline; hard-rock surface mining), and is gaining traction in the US, which should accounts for 50% of machine produced in 2026. Other key market are Africa (30% of FY25 sales) and Middle East (20%).

Corporate Overview

Over a seventy-five-year history, Tesmec has evolved from a manufacturing company into an integrated technology player for strategic infrastructure, pursuing a growth strategy based on the synergistic diversification of its Energy, Rail and Trencher businesses. Headquartered in Milan and led by the Caccia Dominioni family, the group has been listed on the STAR Milan segment of Borsa Italiana since 2010.

Tesmec manufactures across seven plants in Italy, France and the United States. Its consolidation scope includes controlled subsidiaries in South Africa and Australia (51% legal ownership, 100% consolidated), Qatar (49% economic ownership, consolidated under IFRS 10) and Saudi Arabia (65%), alongside two equity-method joint ventures central to the strategy: the 50/50 Condux Tesmec Inc. in the US (stringing distribution) and 50% of the Groupe Marais rental business in France.

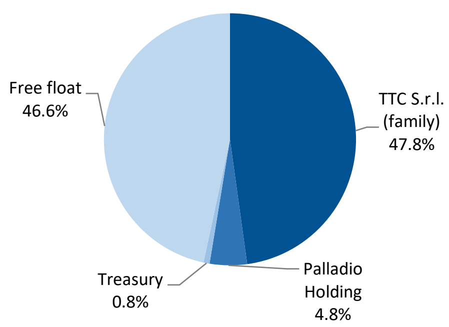
During 2025 Tesmec completed the deconsolidation of Groupe Marais (OT Engineering/Comergy reaching a 50% stake in November 2025). Debt was refinanced via a Eu55mn club deal extending maturities to December 2031.

Governance was renewed with the appointment of a dual-CEO structure in May 2025.

Ownership and Voting Rights

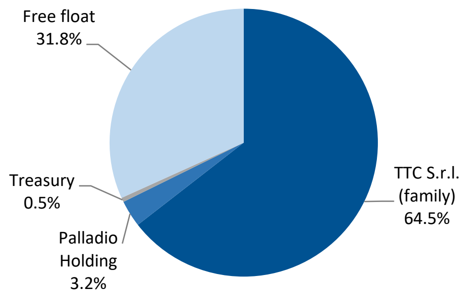
The capital structure combines a single class of ordinary shares with an enhanced/loyalty voting mechanism, concentrating control in the hands of the founding family. TTC S.r.l., the Caccia Dominioni family vehicle, which aggregates stakes held directly (31.45%) and through Fi.Ind. (14.85%), MTS (0.51%) and RX (1.00%), holds 47.8% of capital but 64.5% of voting rights. Palladio Holding owns 4.8% of capital, treasury shares 0.8%, and the free float 46.6% of capital.

Tesmec: Shareholding Structure



Source: Company data

Tesmec: Shareholding Structure (Voting Rights)



Source: Company data

Tesmec: Shareholding

Holder	Shares mn	Shares %	Voting mn	Voting %
TTC S.r.l.	290.0	47.8%	579.9	64.5%
Palladio Holding	29.0	4.8%	29.0	3.2%
Treasury shares	4.7	0.8%	4.7	0.5%
Free Float	282.8	46.6%	285.7	31.8%
Total shares	**606.5**	**100.0%**	**899.3**	**100.0%**

Source: Intermonte SIM

Governance and Key Managers

The Board of Directors was appointed at the 30 April 2025 AGM, with a mandate running until the Shareholders' Meeting called to approve the FY2027 financial statements. It comprises ten directors, of whom five are independent (50%) and four are women (40% female representation). The defining feature is the dual-CEO structure resolved on 9 May 2025: Caterina Caccia Dominioni and Carlo Caccia Dominioni were appointed Chief Executive Officers with full and separate powers, splitting responsibilities between corporate governance and development of the Energy division (Carlo). Ambrogio Caccia Dominioni continues as Chairman. Ruggero Gambini is the manager responsible for preparing the company's financial statements.

Tesmec - Board of Directors

Name	Role	Independent
Ambrogio Caccia Dominioni	Chairman	No
Gianluca Bolelli	Vice Chairman	No
Caterina Caccia Dominioni	Chief Executive Officer	No
Carlo Caccia Dominioni	Chief Executive Officer	No
Simone Andrea Crolla	Director	Yes
Emanuela Teresa Basso Petrino	Director	Yes
Anna Casiraghi	Director	Yes
Nicola Gavazzi	Director	Yes
Francesca Marino	Director	Yes
Antongiulio Marti	Director	No

Source: Intermonte SIM on Company data

Key managers of the group:

Tesmec: Key Managers

Name	Role	Profile
Ambrogio Caccia Dominioni	Chairman	Board leadership, strategic direction
Gianluca Bolelli	Vice-Chairman	Board oversight
Caterina Caccia Dominioni	co- CEO	Corporate governance
Carlo Caccia Dominioni	co-CEO	Development of the Energy business
Ruggero Gambini	Manager responsible for financial statements	Financial reporting

Source: Intermonte SIM on Company data

This structure allows management to pursue multi-year transformation, internationalisation of Rail diagnostics, the build-out of Energy automation, with a genuinely long-term horizon, insulated from short-term pressure. On capital allocation, Tesmec pays no dividend: the parent company closed FY2025 with a small statutory loss carried forward, and capital is deliberately prioritised toward deleveraging (we model net debt falling from Eu130mn to Eu90mn by 2028E) and selective strategic capex rather than distributions. The April 2026 AGM renewed a buyback authority for up to 10% of capital over 18 months (to October 2027).

Industry & Market Drivers

The Global Grid Investment Cycle

Tesmec's largest end-market is the construction and modernisation of electricity transmission and distribution networks. Governments are increasingly prioritising transmission infrastructure in their long-term clean-energy plans. In particular, the EU Grid Action Plan aims to double cross-border transmission capacity and estimates Eu584bn of investment needed by 2030 to meet rising electricity demand and integrate renewables. Amongst relevant markets for Tesmec, India 2024 National Electricity Plan (Eu106bn) maps the transmission build-out required to reach 500 GW of renewable capacity by 2030 and 600 GW by 2032, including cross-border interconnections, storage and substation upgrades. ENTSO-E indicates that over 100,000 km of new onshore and offshore lines are needed in Europe by 2030. Under current EU targets, 40% of grid equipment demand must be met internally by EU-based manufacturing by 2030. This is highly relevant for establishing domestic-content premiums and directly benefits European OEMs producing stringing equipment, tensioners, and substations.

A second, newer demand layer comes from data centres. The rapid growth of AI and hyperscale facilities is concentrating power demand in high-density hubs, and in the US this is driving the build-out of transmission lines together with multi-bundle conductor installation and the trenching required for data-centre construction itself. Demand for new transmission corridors is complemented by grid expansion in emerging markets, where electrification is driven by urbanisation and industrial growth and large-scale energy corridors are planned across high-growth regions such as India, the Middle East/Africa.

The European Grid & Smart-Grid Market

The broad European smart grid market was valued (MDC, March 2026) at $22.24bn in 2025, is estimated to reach $25.72bn in 2026, and is projected to scale to $82.45bn by 2034 (CAGR of 15.6%). Structural Drivers: Growth is fundamentally driven by accelerating capital expenditure directed toward upgrading legacy electrical infrastructure, integrating highly volatile renewable capacity, and meeting the demand for AI-driven energy management systems. Under a stricter infrastructure/networking definition, the market was valued at $5.16bn in 2024, is estimated to reach $5.69bn in 2025, and is projected to expand to $15.21bn by 2035 (CAGR of 10.3%).
Europe is estimated to command a 25% share of the global smart grid market in 2025. For cross-referencing, the global smart grid market is valued at approximately $52bn in 2025 and is projected to reach $154.1bn by 2032, expanding at a 16.8% CAGR.

Terna (Italy). Terna's 2025 Development Plan commits Eu23bn of investment over the next decade (+10% vs the prior plan) to modernise, digitalise and expand the Italian transmission grid: integration of at least 65 GW of renewables by 2030 (94 GW by 2035), an increase in inter-zonal exchange capacity from 16 GW to 39 GW by 2030 (+22% vs the prior plan) and a ~40% uplift in cross-border transmission capacity.

Enel Strategic Plan 2025-2027: Enel 2025-2027 allocates Eu26bn to the grid segment, of which approximately Eu16bn in Italy. The investment framework heavily targets digitalization and grid automation. The allocation to power grids represents a 40% increase in network capex compared to Enel's previous plan.
Enedis (France). Enedis, France's main electricity-distribution operator, plans to lift annual investment from Eu4.4bn in 2022 to more than Eu5bn per year by 2032. The operator already runs one of Europe's most digitalised distribution networks: 35.6mn Linky smart meters deployed and ~90% of French renewable-energy connections on its grid.

Rail Infrastructure Investment

The European rail network counts more than 260,000km of lines, of which only 50% is electrified (the EU average electrification rate is 55%), implying years of infrastructure investment simply to meet individual countries' electrification targets. Electrification is complemented by a regulatory push toward diagnostics and predictive maintenance, as ageing infrastructure and rising traffic intensity tighten safety requirements across the network.

In Italy, Ferrovie dello Stato has announced Eu100bn of railway-infrastructure investment over 2025-2029 (Eu14bn funded by the EU recovery plan and Eu86bn by FS and the State) with more than Eu2bn earmarked for digital rail infrastructure. RFI is in parallel modernising the network through ERTMS, infrastructure renewal and electrification, in line with targets on sustainable and digital rail.

The Trencher & Surface-Mining Market

The global trencher market was worth $2.15bn in 2025 and is forecast to reach $2.91bn in 2030 (Business Research Company, Global Trencher Market report 2026), a +6.2% CAGR, driven by rising infrastructure investment, telecom-network build-out, smart-city development, renewable-energy projects and advances in excavation technology. The Americas hold the largest share of the global market, roughly 40% in 2024, on intense construction activity, public-infrastructure modernisation, while Asia-Pacific is the fastest-growing region. Electric trencher models, introduced in response to demand for efficiency and sustainability, have registered adoption rates superior by 25% thanks to lower emissions and operating costs.

Surface mining is the structural extension of this market. Demand for critical minerals (copper, lithium, nickel) is a direct derivative of the energy transition, and surface-mining activity is expanding into new geographies with momentum in Africa and Asia. The bauxite value chain illustrates the depth of the resource base: global reserves were estimated at 30bn tonnes in January 2024, Guinea holding the largest share at 24.7%, followed by Vietnam (19.3%), Australia (11.7%).

Key Industry Trends

Data centres are changing the grid. AI and hyperscale data-centre growth is concentrating power demand in high-density hubs and forcing a step-change in transmission capacity (765kV lines with ~6x the capacity of 345kV) alongside multi-bundle conductor installation and underground cable deployment for both HV power supply and fibre connectivity. The same facilities require trenching at the construction stage, making data centres a demand driver across both stringing and excavation equipment.

Renewables make grids bidirectional and substation-intensive. Accelerating renewable integration, rising power demand and grid congestion create the need for high-capacity, long-distance transmission and for the modernisation and digitalisation of substations across increasingly complex grid environments, the structural pull behind both the transmission-capex programmes above and the smart-grid market's +15% growth rate.

Safety regulation is pushing infrastructure toward predictive diagnostics. Stricter safety standards on electrical and rail networks, ageing assets and pressure on cost and asset availability are shifting maintenance from reactive inspection to predictive, AI-driven and data-driven models, moving spending from one-off equipment purchases toward integrated diagnostics, monitoring and lifecycle services.

Jobsites are being digitalised, robotised and electrified. Across all applications, traditional jobsites are converging toward connected operations (robotisation, real-time monitoring, remote control) while equipment fleets electrify: electric trencher models have seen adoption on lower emissions and operating costs.

Critical minerals are extending mechanised excavation into mining. The energy transition's demand combined with regulatory pressure on safety and environmental impact, favours continuous-excavation surface mining over drilling and blasting and is opening new geographies in Africa and Asia for high-productivity excavation equipment.

Intermonte

Valuation

We value Tesmec primarily on a discounted cash flow. The DCF sets our target price of Eu0.46, implying +38% upside on the current Eu0.32 price. We cross-check the DCF against a weighted peer-multiple panel split into two groups mirroring Tesmec's profit mix (Energy automation/stringing names weighted at 70% and Trencher/Rail names at 30%), which supports the positive stance on the stock. At target, we value Tesmec at 8.0x EV/EBITDA FY26E, still at a meaningful discount to peers.

DCF Valuation

Our DCF discounts five years of explicit unlevered free cash flow (2027E-2031E) plus a terminal value. Over the explicit window we model revenues rising from Eu310mn to Eu422mn and EBITDA from Eu61mn to Eu98mn, a margin building from 19.7% to 23.2% as the Energy mix-shift and operating leverage compound, converting into unlevered FCF growing from Eu22mn in 2027E to Eu38mn in 2031E after taxes, working-capital absorption and capex. The terminal value assumes 3.0% perpetual growth. The discount rate is a 9.1% (from 9.0% previously).

We estimate a fair equity value of Eu277mn, or Eu0.46 per share on 601.7mn shares net of treasury. The implied terminal-value exit multiple is 5.7x EV/EBITDA, below where the stock trades today (6.3x 2026E). The uplift in TP from previous Eu0.19 reflects three compounding factors: (i) higher estimates (2026-28E EBITDA +7.5% to +14.8%, EBIT +14.1% to +21.7%); (ii) a higher terminal growth rate (3.0% vs 2.0%), consistent with the committed, multi-year nature of grid-capex demand; and (iii) financial gearing, with net debt falling from Eu130mn (2025A) to Eu90mn (2028E).

Tesmec - DCF Valuation

(Eu mn)	2027E	2028E	2029E	2030E	2031E	TV
Revenues	310.1	342.2	369.9	396.7	421.8	434.4
YoY Growth	10.2%	10.4%	5.0%	5.0%	5.0%	3.0%
EBITDA	61.1	71.3	79.9	89.2	98.0	86.9
margin %	19.7%	20.8%	21.6%	22.5%	23.2%	20.0%
D&A	(22.4)	(23.0)	(24.4)	(25.2)	(25.5)	(29.0)
EBIT	38.7	48.3	55.5	64.0	72.5	57.9
Taxes on EBIT	(10.8)	(14.0)	(16.7)	(19.2)	(21.7)	(23.9)
tax rate	*-28.0%*	*-28.9%*	*-30.0%*	*-30.0%*	*-30.0%*	*-30.0%*
NOPAT	**27.9**	**34.3**	**38.9**	**44.8**	**50.7**	**34.0**
Change in WC	(3.4)	(6.1)	(10.9)	(16.5)	(13.4)	(4.8)
WC/Sales	*23.4%*	*23.0%*	*24.2%*	*26.8%*	*28.4%*	*38.0%*
Capex	(24.9)	(25.3)	(25.0)	(25.0)	(25.0)	(29.0)
Capex/Sales	*-8.0%*	*-7.4%*	*-6.8%*	*-6.3%*	*-5.9%*	*-6.7%*
Unlevered FCF	**22.0**	**25.9**	**27.4**	**28.5**	**37.8**	**29.2**
TV						**493.2**
Discount factor	0.92	0.84	0.77	0.71	0.65	0.59
Discounted Free cash flow	**20.1**	**21.8**	**21.1**	**20.2**	**24.5**	**292.4**

Eu mn	
Discounted free cash flows 2027-2031E	108
NPV of Terminal value	292
Terminal Value on total EV	73%
Terminal value multiple on EBITDA	5.7x
Total EV	**400**
Net financial position (YE26E) including IFRS16	(119)
Other Liabilities	(4)
Fair Value of Equity (Eu mn)	**277**
N. of shares (mn)	606.5
N. of shares ex. treasury shares(mn)	601.7
Fair value per share (Eu)	**0.46**
Current Price (Eu)	0.334
Upside/(Downside)	38%

Source: Intermonte SIM

DCF Sensitivity

The two-way sensitivity of fair value to WACC and terminal growth places the DCF in a Eu0.29-0.66 range (WACC 8.5-10.5%, g 2.0-4.0%). At an unchanged WACC, each 0.5pp of terminal growth adds roughly Eu0.04-0.05 per share.

Tesmec - DCF Fair Value Sensitivity (Eu/share): WACC and Terminal Growth

WACC \ g	2.0%	2.5%	3.0%	3.5%	4.0%
8.50%	0.44	0.48	0.53	0.59	0.66
9.00%	0.39	0.43	0.47	0.52	0.57
9.46%	0.36	0.39	0.42	0.46	0.51
10.00%	0.32	0.35	0.37	0.41	0.45
10.50%	0.29	0.31	0.34	0.37	0.40

Source: Intermonte Sim

Peer Comparison

Tesmec has no true listed pure-plays: its most direct competitors in the trencher segment (Vermeer, Ditch Witch/American Augers, Mastenbroek) and the rail segment (Plasser & Theurer, Speno, Loram) are all privately owned. Therefore, the peer group of listed companies must be built based on thematic exposure to its end markets.

Reflecting the composition of its business, we benchmark Tesmec against two distinct sets of listed peers, and weight them to mirror the group's profit mix. The first group covers Energy automation and stringing, Cembre, Arteche, Prysmian, ABB, Nexans, Landis+Gyr, Schneider Electric, Siemens Energy, Rexel, Legrand, GE Vernova, Hubbell, Emerson, Atkore and nVent, capital-goods and electrical-equipment names exposed to the same grid-capex and electrification cycle as Tesmec's Energy division; we weight this group at 70%. The second covers Trencher and Rail (treated together), chosen to capture the division's real end-market exposure: mining-equipment majors (Epiroc, Sandvik, Weir, Metso, Caterpillar, Komatsu) for the critical-minerals cycle and the pipeline/construction demand (Caterpillar, Komatsu), alongside European rail-technology names (OMER, Vossloh, Alstom, CAF) for what is structurally a European rail business; we weight it at 30%. The same 70/30 weights are used to compute a weighted-average peer multiple. Energy already generates 50% of divisional EBITDA on our 2026E estimates (58% of consolidated EBITDA in 1Q26) and contributes 62% of the EBITDA growth we model to 2028E.

On our estimates Tesmec trades at 6.4x EV/EBITDA 2026E against a weighted peer average of 12.9x, a 50% discount, and the gap widens to 56% on 2027E (5.1x vs 11.7x) and 62% on 2028E (4.1x vs 10.9x) as our estimates compound. On P/E the discount is 15% on 2026E (18.8x vs 22.1x), widening to 40%/51% on 2027-28E (11.1x vs 18.5x; 8.0x vs 16.3x) as financial charges fall with the deleveraging. In other words, the stock is priced below its least-valued business mix, while its profit pool migrates toward the most-valued one.

At out TP of Eu0.46, Tesmec would trade at 8.0x EV/EBITDA 2026E (still 38% below the weighted peer average, and 55% below the Energy group), falling to 6.4x and 5.2x on 2027-28E; on P/E, the target implies 25.9x 2026E, above the weighted peer average on that single year, but 15.4x and 11.0x on 2027-28E, back below peers as earnings catch up. The market capitalisation at target (Eu279mn) would remain the smallest of the panel, so we would not expect the discount to close entirely, one reason the DCF, not the peer panel, sets the target.

(see tables on the next page)

Peer Multiples

Company	Country	Mkt Cap	EV/Sales			EV/EBITDA			EV/EBIT			P/E		
		(Eu mn)	26E	27E	28E	26E	27E	28E	26E	27E	28E	26E	27E	28E
Trencher & Rail (30%)														
Epiroc AB Class A	Europe (mining equipment)	28,873	4.9x	4.4x	4.0x	20.7x	18.0x	16.6x	25.4x	21.7x	19.8x	33.1x	28.0x	25.3x
Sandvik AB	Europe (mining equipment)	45,055	3.7x	3.3x	3.0x	15.0x	13.7x	12.9x	19.1x	16.9x	15.9x	24.7x	21.6x	19.8x
Weir Group PLC	Europe (mining equipment)	7,316	2.7x	2.5x	2.3x	11.7x	10.9x	10.2x	13.6x	12.5x	11.6x	18.8x	16.8x	15.1x
Metso Corporation	Europe (mining equipment)	12,982	2.5x	2.2x	2.1x	13.5x	11.9x	10.9x	16.3x	14.1x	12.7x	21.2x	18.2x	16.3x
Caterpillar Inc.	US (mining, pipelines, constr.)	375,200	5.8x	5.2x	4.8x	29.0x	24.3x	21.0x	33.5x	27.7x	23.2x	38.3x	31.4x	26.2x
Komatsu Ltd.	Japan (mining, pipelines, constr.)	33,228	1.6x	1.5x	1.5x	9.8x	9.1x	8.6x	12.7x	11.7x	11.1x	16.1x	14.5x	13.4x
OMER S.p.a.	Europe (Rail)	95	0.8x	0.7x	0.5x	4.8x	4.5x	4.2x	6.6x	6.3x	5.7x	12.1x	11.5x	10.3x
Vossloh Aktiengesellschaft	Europe (Rail)	1,284	1.1x	1.0x	0.9x	9.5x	8.6x	7.9x	16.9x	13.5x	12.2x	19.8x	15.0x	12.9x
Alstom SA	Europe (Rail)	7,420	0.4x	0.4x	0.3x	5.5x	4.9x	4.4x	7.3x	6.7x	6.1x	8.7x	7.9x	7.2x
Construcciones y Auxiliar de Ferrocarriles, S.A.	Europe (Rail)	2,160	0.5x	0.4x	0.4x	5.9x	5.4x	5.0x	8.3x	7.4x	6.8x	11.8x	10.2x	9.1x
Median Trencher & Rail			**2.0x**	**1.9x**	**1.8x**	**10.8x**	**10.0x**	**9.4x**	**15.0x**	**13.0x**	**11.9x**	**19.3x**	**15.9x**	**14.3x**
Energy (70%)														
Cembre S.p.A.	Europe	1,569	5.7x	5.2x	4.8x	17.8x	15.8x	14.4x	21.6x	18.9x	17.1x	28.5x	25.5x	23.1x
Arteche Lantegi Elkartea SA	Europe	2,084	3.5x	3.0x	2.5x	21.8x	17.8x	14.7x	26.6x	21.9x	17.9x	36.0x	27.9x	22.6x
Prysmian S.p.A.	Europe	44,174	2.1x	1.9x	1.8x	16.6x	14.3x	12.8x	22.0x	18.5x	16.4x	30.6x	24.7x	21.1x
ABB Ltd.	Europe	166,363	5.2x	4.7x	4.3x	24.3x	22.2x	20.2x	27.4x	24.8x	22.5x	31.8x	31.4x	28.1x
Nexans SA	Europe	6,536	0.9x	0.8x	0.7x	9.3x	8.0x	7.2x	12.8x	10.8x	9.1x	20.7x	16.8x	14.2x
Landis+Gyr Group AG	Europe	1,509	1.6x	1.4x	1.3x	11.7x	10.0x	8.9x	15.8x	12.8x	11.2x	20.7x	16.0x	13.5x
Schneider Electric SE	Europe	159,834	4.0x	3.6x	3.3x	18.8x	16.6x	14.8x	22.1x	19.3x	17.1x	28.8x	24.5x	21.4x
Siemens Energy AG	Europe	134,436	2.9x	2.5x	2.2x	19.4x	14.9x	12.1x	25.6x	18.5x	14.3x	36.2x	26.2x	20.4x
Rexel SA	Europe	11,063	0.7x	0.7x	0.6x	9.3x	8.7x	8.0x	12.4x	11.3x	10.2x	15.5x	13.5x	12.0x
Legrand SA	Europe	36,373	4.0x	3.6x	3.3x	17.1x	15.6x	14.4x	19.6x	17.9x	16.5x	25.1x	22.7x	20.7x
GE Vernova Inc.	US	227,419	5.6x	4.8x	4.1x	42.0x	28.0x	20.2x	53.8x	32.0x	22.6x	33.7x	40.2x	28.7x
Hubbell Incorporated	US	22,883	4.3x	4.0x	3.6x	18.3x	16.8x	16.0x	19.7x	18.4x	17.6x	25.4x	23.1x	21.2x
Emerson Electric Co.	US	71,806	5.0x	4.6x	4.3x	17.8x	16.5x	15.0x	19.3x	18.0x	16.5x	22.9x	20.7x	18.7x
Atkore Inc	US	2,294	1.0x	0.9x		9.0x	8.2x	7.4x	12.5x	11.4x	10.0x	14.7x	13.0x	11.4x
nVent Electric plc	US	23,314	5.6x	4.8x	4.0x	25.3x	21.3x	18.2x	29.1x	23.7x	19.4x	36.5x	29.3x	24.2x
Median Energy			**4.0x**	**3.6x**	**3.3x**	**17.8x**	**15.8x**	**14.4x**	**21.6x**	**18.5x**	**16.5x**	**28.5x**	**24.5x**	**21.1x**
Weighted avg. peers (Energy 70% / Trencher+Rail 30%)			**2.6x**	**2.4x**	**2.2x**	**12.9x**	**11.7x**	**10.9x**	**16.9x**	**14.6x**	**13.3x**	**22.1x**	**18.5x**	**16.3x**
Tesmec (Intermonte est.)	**Europe**	**202**	**1.2x**	**1.0x**	**0.9x**	**6.4x**	**5.1x**	**4.1x**	**11.5x**	**8.1x**	**6.1x**	**18.8x**	**11.1x**	**8.0x**
Tesmec premium/(discount) vs weighted avg						-50.0%	-56.4%	-62.0%				-14.8%	-39.7%	-51.2%
Tesmec @ Target Price Eu0.46		**279**	**1.4x**	**1.3x**	**1.1x**	**8.0x**	**6.4x**	**5.2x**	**14.2x**	**10.1x**	**7.7x**	**25.9x**	**15.4x**	**11.0x**

Source: Facset, Intermonte Estimates

Peers - Key Metrics

Company	Country	Mkt Cap	Sales growth			EBITDA margin			EBIT margin			EPS growth			CAGR 2026-28E		
		(Eu mn)	26E	27E	28E	26E	27E	28E	26E	27E	28E	26E	27E	28E	Sales	EBITDA	EPS
Trencher & Rail (30%)																	
Epiroc AB Class A	Europe (mining equipment)	28,873	6.1%	11.5%	7.5%	25.2%	25.9%	26.2%	20.5%	21.5%	21.9%	13.6%	18.2%	10.7%	9.5%	11.8%	14.4%
Sandvik AB	Europe (mining equipment)	45,055	15.7%	10.6%	5.0%	25.2%	24.9%	25.2%	19.8%	20.2%	20.5%	36.6%	13.9%	9.5%	7.8%	7.7%	11.7%
Weir Group PLC	Europe (mining equipment)	7,316	7.4%	5.9%	5.7%	23.8%	24.2%	24.5%	20.6%	21.2%	21.6%	6.9%	12.4%	10.9%	5.8%	7.4%	11.7%
Metso Corporation	Europe (mining equipment)	12,982	7.3%	8.2%	6.4%	18.6%	19.5%	20.1%	15.4%	16.5%	17.2%	27.4%	16.4%	12.3%	7.3%	11.4%	14.3%
Caterpillar Inc.	US (mining, pipelines, constr.)	375,200	13.3%	10.4%	10.7%	21.6%	23.4%	24.4%	18.7%	20.5%	22.1%	29.4%	22.1%	19.9%	10.5%	17.6%	21.0%
Komatsu Ltd.	Japan (mining, pipelines, constr.)	33,228	2.4%	5.0%	2.1%	17.4%	17.8%	18.4%	13.4%	13.9%	14.4%	0.1%	10.5%	8.4%	3.6%	6.6%	9.5%
OMER S.p.a.	Europe (Rail)	95	-12.9%	1.3%	4.2%	18.1%	18.9%	19.8%	13.2%	13.6%	14.5%	-22.5%	5.5%	11.7%	2.7%	7.6%	8.5%
Vossloh Aktiengesellschaft	Europe (Rail)	1,284	19.8%	6.2%	6.3%	13.7%	14.3%	14.6%	7.7%	9.1%	9.5%	-1.7%	31.7%	16.4%	6.2%	9.5%	23.8%
Alstom SA	Europe (Rail)	7,420	5.2%	5.3%	5.2%	8.6%	9.2%	9.6%	6.5%	6.7%	7.0%	33.2%	9.8%	10.1%	5.2%	10.9%	10.0%
Construcciones y Auxiliar de Ferrocarriles, S.A.	Europe (Rail)	2,160	7.7%	6.5%	7.0%	8.4%	8.6%	8.7%	6.0%	6.2%	6.4%	23.1%	14.9%	12.4%	6.8%	8.8%	13.6%
Construcciones y Auxiliar de Ferrocarriles, S.A.		20,927	7.4%	6.4%	6.0%	18.3%	19.2%	19.9%	14.4%	15.2%	15.9%	18.3%	14.4%	11.3%	6.5%	9.2%	12.7%
Energy (70%)																	
Cembre S.p.A.	Europe	1,569	12.6%	9.5%	8.0%	31.8%	32.7%	33.2%	26.2%	27.4%	28.0%	20.2%	11.7%	10.6%	8.7%	11.1%	11.2%
Arteche Lantegi Elkartea SA	Europe	2,084	15.3%	14.8%	14.5%	16.3%	17.4%	18.4%	13.4%	14.1%	15.1%	29.9%	28.8%	23.5%	14.6%	21.6%	26.1%
Prysmian S.p.A.	Europe	44,174	10.9%	7.9%	7.1%	13.0%	13.9%	14.5%	9.8%	10.8%	11.3%	11.3%	23.9%	16.8%	7.5%	13.6%	20.3%
Schneider Electric SE	Europe	159,834	8.4%	8.9%	8.4%	21.6%	22.4%	23.3%	18.4%	19.3%	20.1%	14.4%	17.6%	14.5%	8.6%	12.7%	16.0%
Siemens Energy AG	Europe	134,436	12.4%	13.7%	12.5%	15.1%	17.2%	18.9%	11.4%	13.9%	16.0%	164.8%	38.4%	28.6%	13.1%	26.5%	33.4%
Rexel SA	Europe	11,063	3.4%	4.5%	4.8%	8.2%	8.4%	8.7%	6.2%	6.5%	6.8%	12.3%	14.5%	12.4%	4.6%	7.9%	13.4%
Legrand SA	Europe	36,373	13.1%	8.5%	8.0%	23.5%	23.7%	23.7%	20.5%	20.7%	20.7%	13.5%	10.6%	9.7%	8.2%	8.7%	10.1%
GE Vernova Inc.	US	227,419	19.4%	14.3%	14.4%	13.7%	18.0%	21.8%	10.7%	15.7%	19.5%	64.8%	-16.3%	40.1%	14.4%	44.3%	8.3%
Hubbell Incorporated	US	22,883	10.0%	6.2%	6.1%	24.6%	25.3%	25.1%	22.9%	23.1%	22.8%	8.6%	10.1%	9.1%	6.1%	7.1%	9.6%
Emerson Electric Co.	US	71,806	4.5%	5.4%	5.3%	28.7%	29.3%	30.7%	26.4%	26.9%	27.9%	8.4%	10.4%	10.9%	5.4%	9.0%	10.7%
Atkore Inc	US	2,294	3.9%	2.3%	5.6%	11.9%	12.7%	13.3%	8.5%	9.1%	9.9%	-11.5%	13.7%	13.7%	3.9%	9.8%	13.7%
nVent Electric plc	US	23,314	28.3%	15.9%	15.7%	22.9%	23.4%	23.8%	19.9%	21.1%	22.3%	36.8%	24.7%	20.8%	15.8%	18.0%	22.8%
Tesmec Facset Consensus	Europe	202	115.8%	106.4%	96.7%	782.5%	682.9%	628.0%	1446.4%	1166.3%	1006.5%	2931.8%	1500.0%	1240.4%	0.0%	0.0%	0.0%
Median Energy		**29,844**	**11.7%**	**8.7%**	**8.0%**	**19.0%**	**20.2%**	**22.5%**	**15.9%**	**17.5%**	**19.8%**	**13.9%**	**14.1%**	**14.1%**	**8.4%**	**11.9%**	**13.6%**
Weighted avg. peers (Energy 70% / Trencher+Rail 30%)			**10.4%**	**8.0%**	**7.4%**	**18.8%**	**19.9%**	**21.7%**	**15.4%**	**16.8%**	**18.6%**	**15.3%**	**14.2%**	**13.3%**	**7.9%**	**11.1%**	**13.3%**
Tesmec (Intermonte est.)	**Europe**	**202**	**9.2%**	**10.2%**	**10.4%**	**17.9%**	**19.7%**	**20.8%**	**10.1%**	**12.5%**	**14.1%**		**68.9%**	**39.8%**	**10.3%**	**18.9%**	**53.6%**

Source: Facset, Intermonte Estimates

Multiple-Implied Fair Values

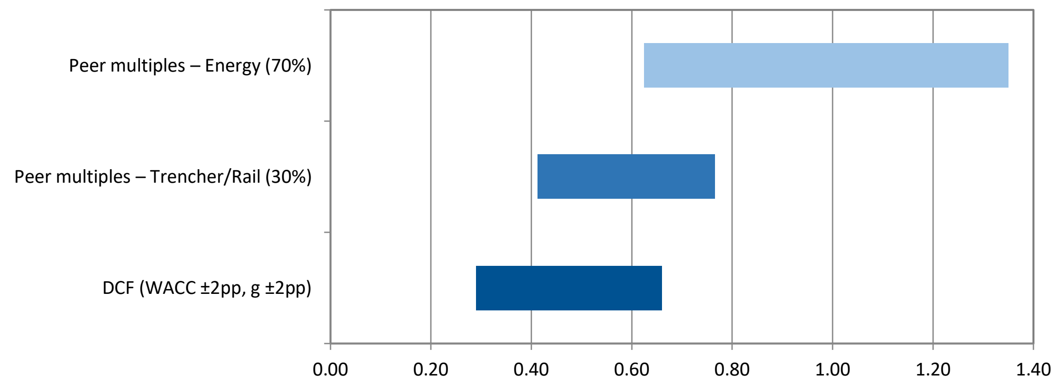
Applying the Trencher/Rail group medians to our Tesmec estimates yields a fair value of Eu0.34-0.51 band, a range that brackets our Eu0.46 target. Applying the Energy group medians, we derive a Eu0.61-1.35 band, entirely above our target. We do not base the target on these values: Tesmec is sub-scale, less liquid and more leveraged than the Energy panel, and conglomerate-style discounts apply. But the asymmetry is the point, our Eu0.46 target requires only that Tesmec be valued within the band implied by its low-multiple businesses, while any market recognition of the Energy mix-shift represents upside optionality to the target.

Tesmec – Multiple-Implied Fair Values (Eu/share)

Group	Metric	2026E	2027E	Avg 26-27E
G1 Trencher/Rail (30%)	EV/EBITDA	0.70	0.83	0.77
G1 Trencher/Rail (30%)	P/E	0.35	0.48	0.41
G1 Trencher/Rail (30%) – band				**0.41 - 0.77**
G2 Energy (70%)	EV/EBITDA	1.28	1.42	1.35
G2 Energy (70%)	P/E	0.51	0.74	0.62
G2 Energy (70%) – band				**0.62 - 1.35**

Source: Intermonte SIM and Factset

Tesmec- Valuation Range (Eu per share)



Source: Intermonte SIM. Peer bands = avg of 2026-27E implied fair values (EV/EBITDA and P/E group medians applied to Intermonte estimates)

Tesmec – Stock Performance

	Last price	1M	3M	6M	YTD	1Y	3Y	5Y
Trencher/Rail								
OMER S.p.a.	3.32	-9%	-8%	-17%	-16%	-25%	19%	#N/D
Comer Industries SpA	50.80	-5%	15%	15%	12%	62%	58%	149%
I.CO.P. S.p.A.	29.10	7%	31%	73%	66%	172%	#N/D	#N/D
Reway Group SpA	10.10	-6%	-8%	-4%	-6%	32%	146%	#N/D
Vossloh Aktiengesellschaft	66.80	-2%	-4%	-13%	-13%	-12%	64%	53%
Trencher/Rail Average		-3%	5%	11%	9%	46%	72%	101%
Energy Stringing/Automation								
Cembre S.p.A.	93.80	-4%	52%	37%	38%	69%	201%	297%
Arteche Lantegi Elkartea SA	37.60	-14%	46%	69%	66%	269%	826%	852%
Prysmian S.p.A.	145.55	-5%	48%	73%	68%	161%	293%	398%
ABB Ltd.	89.74	0%	22%	42%	41%	77%	147%	224%
Nexans SA	148.30	-9%	26%	18%	18%	48%	83%	105%
Landis+Gyr Group AG	51.78	-1%	-8%	-7%	-6%	-12%	-39%	-17%
Schneider Electric SE	270.15	2%	9%	11%	15%	23%	64%	104%
Siemens Energy AG	156.20	-8%	9%	30%	30%	84%	577%	509%
Rexel SA	36.34	-2%	10%	10%	8%	46%	62%	114%
Legrand SA	135.55	-11%	-1%	8%	7%	23%	48%	52%
GE Vernova Inc.	843.48	-7%	20%	46%	52%	104%	#N/D	#N/D
Hubbell Incorporated	421.91	2%	3%	12%	12%	27%	43%	178%
Emerson Electric Co.	126.23	10%	9%	8%	12%	16%	56%	55%
Atkore Inc	68.27	7%	39%	24%	27%	19%	-48%	13%
nVent Electric plc	145.60	0%	52%	67%	68%	147%	229%	454%
Energy Average		-3%	22%	30%	30%	73%	182%	238%
Tesmec S.p.A.	**0.33**	**85%**	**130%**	**88%**	**103%**	**496%**	**131%**	**171%**

Source: Factset

Valuation Multiples — Current Price

	2026E	2027E	2028E
Current Price (Eu)	0.33		
EV/Sales	1.2x	1.0x	0.9x
EV/EBITDA	6.4x	5.1x	4.1x
EV/EBIT	11.5x	8.1x	6.1x
P/E	18.8x	11.1x	8.0x

Source: Intermonte SIM

Valuation Multiples — Target Price

	2026E	2027E	2028E
TP (Eu)	0.46		
EV/Sales	1.4x	1.3x	1.1x
EV/EBITDA	8.0x	6.4x	5.2x
EV/EBIT	14.2x	10.1x	7.7x
P/E	25.9x	15.4x	11.0x

Source: Intermonte SIM

Financials

Recent Financial Trends

FY25 closed with revenues of Eu257.6mn, up 8% YoY and broadly in line with our estimates (-1%), while EBITDA of Eu40.5mn (15.7% margin) came in 9% below our forecast and broadly flat YoY, the gap entirely attributable to the Trencher soft patch (Australia, Saudi Arabia), only partly offset by Energy's acceleration (divisional EBITDA Eu19.4mn, +71% YoY, on a 20.1% margin). Net profit of Eu2.1mn was held back by Eu3.4mn of FX losses, part of which may reverse in FY26. The balance-sheet delivery was better than the P&L: net debt ended FY25 at Eu130.4mn, down Eu16.6mn YoY (more than 10% of the market capitalisation) and 4% better than expected, helped by an Eu27.8mn working-capital release that took NWC to Eu72.0mn (28% of sales, from 42%).

1Q26 then validated the FY26 trajectory on every line we track. Sales of Eu66mn (+7% YoY) beat our Eu61mn estimate by 8%; EBITDA of Eu10.1mn came in ahead of our Eu9.6mn, with the 15.3% margin broadly stable YoY (15.5%) despite the Trencher and Rail drag; net profit of Eu1.1mn reversed the -Eu1.2mn of 1Q25. The quarter's two structural signals were Energy, divisional EBITDA margin at 22.4% (from 15.8%), with Stringing at 24.3%, and the NFP down Eu4.4mn to Eu126.0mn in what is seasonally a working-capital-absorbing quarter. Total backlog reached Eu474mn (+14% in the quarter; +32% YoY), with Rail up from Eu117mn to Eu161mn on the Slovenia award.

Change in Estimates

We raise FY26-28E sales by a modest +0.6%/+2.9%/+5.4% (to Eu281.4mn, Eu310.1mn and Eu342.2mn), but EBITDA by +7.5%/+9.9%/+14.8% (to Eu50.4mn, Eu61.1mn and Eu71.3mn) and EBIT by +14.1%/+17.3%/+21.7%, reflecting the 1Q26 step-change in Energy profitability (Stringing and Automation both stepping up), the Grassobbio operating leverage, and a Trencher recovery. Lower financial charges (Eu13.3mn in 2026E vs Eu19.7mn in FY25, which included the Eu3.4mn FX hit) gear the operating upgrade into the bottom line: pre-tax profit rises +50.0%/+35.1%/+37.1% and net profit +43.4%/+28.8%/+30.7% (to Eu10.8mn, Eu18.2mn and Eu25.4mn).

The same revisions flow to the balance sheet: we now see net debt at Eu119.2mn in 2026E (-5.9% vs our prior Eu126.6mn), Eu106.9mn in 2027E (-7.3%) and Eu90.0mn in 2028E (-11.4% vs Eu101.6mn), a structurally lighter working-capital profile as Energy (which runs on negative working capital in Stringing) grows in the mix, and capex held around Eu25mn per year.

Tesmec – Change in Estimates

Eu mn	2025A	2026E	2027E	2028E
Sales – new	257.6	281.4	310.1	342.2
Sales – old		279.7	301.4	324.8
Sales – pct_change		**0.6%**	**2.9%**	**5.4%**
EBITDA – new	40.5	50.4	61.1	71.3
EBITDA – old		46.9	55.6	62.1
EBITDA – pct_change		**7.5%**	**9.9%**	**14.8%**
EBIT – new	20.4	28.3	38.7	48.3
EBIT – old		24.8	33.0	39.7
EBIT – pct_change		**14.1%**	**17.3%**	**21.7%**
Pre tax Profit – new	0.6	15.0	25.4	35.5
Pre tax Profit – old		10.0	18.8	25.9
Pre tax Profit – pct_change		**50.0%**	**35.1%**	**37.1%**
Net Profit – new	2.1	10.8	18.2	25.4
Net Profit – old		7.5	14.1	19.4
Net Profit – pct_change		**43.4%**	**28.8%**	**30.7%**
Net Debt – new	130.4	119.2	106.9	90.0
Net Debt – old		126.6	115.4	101.6
Net Debt – pct_change		**-5.9%**	**-7.3%**	**-11.4%**

Source: Intermonte SIM

FY26-28E Financial Forecasts

Revenues and Profitability Trend

We model group revenues of Eu281.4mn in 2026E (+9% YoY), Eu310.1mn in 2027E (+10%) and Eu342.2mn in 2028E (+10%), with Energy doing the heavy lifting: divisional revenues rise from Eu96.6mn (2025) to Eu146.2mn (2028E, 15% CAGR), versus Eu131.2mn for Trencher (7% CAGR, recovery-driven) and Eu64.8mn for Rail (7% CAGR, Slovenia conversion from 2H26). Energy alone accounts for 59% of the revenue growth and 62% of the EBITDA growth we model to 2028E.

Profitability expands faster than volume. We see group EBITDA rising from Eu40.5mn (15.7% margin) to Eu50.4mn in 2026E (17.9%), Eu61.1mn in 2027E (19.7%) and Eu71.3mn in 2028E (20.8%) (cumulatively +76% over three years) on divisional EBITDA of Eu38.5mn Energy (26.3% margin), Eu19.3mn Trencher (14.7%) and Eu13.5mn Rail (20.9%) at the end of the horizon. Below the EBITDA line, D&A stays broadly flat (Eu22-23mn), so EBIT more than doubles from Eu20.4mn (7.9% margin) to Eu48.3mn (14.1%); financial charges normalise to Eu12.8-13.3mn per year, and at a 28.5% tax rate net profit rises from Eu2.1mn to Eu10.8mn (2026E), Eu18.2mn (2027E) and Eu25.4mn (2028E).

Balance Sheet & Cash Flow: the Deleveraging Path

We model net debt falling from Eu130.4mn (2025A) to Eu119.2mn (2026E), Eu106.9mn (2027E) and Eu90.0mn (2028E), taking Net Debt/EBITDA from 3.2x to 2.4x, 1.7x and 1.3x, and the longer arc underlines the momentum: leverage peaked at 4.5x on Eu153mn of net debt in 2023, with the NFP high-water mark at Eu183.6mn in June 2024, so by 2028E the group will have removed roughly Eu94mn of net debt from that peak while EBITDA more than doubles from its 2023 level. The composition of the remaining debt supports the trajectory: management decomposes the FY25 NFP into 55% self-liquidating operating debt, 21% IFRS16 leases and only 24% (~Eu30mn) structural industrial debt; covenants (NFP/EBITDA, NFP/equity) were met through 1Q26, and the Eu55mn club-deal signed in September 2025 extends maturities to December 2031.

We model FCF of Eu11.2mn (2026E), Eu12.3mn (2027E) and Eu17.0mn (2028E) after capex of Eu24-25mn per year (8.6% of sales in 2026E, declining to 7.4%), cash taxes rising with profitability, and a working-capital build that stays well below revenue growth: NWC dips to Eu69.3mn in 2026E before rising to Eu78.8mn in 2028E, with WC/sales improving from 28% to 23% as the Energy mix (negative working capital in Stringing) compounds. With DPS at zero across the horizon and deleveraging the explicit capital-allocation priority, every euro of FCF reduces net debt, and shareholders' equity rises from Eu77.7mn to Eu132.0mn by 2028E.

Company Guidance and Outlook

Management's FY26 guidance, set at the FY25 results and sharpened with 1Q26, calls for growth in the main income-statement indicators versus FY25 and a further reduction in net financial indebtedness versus the 31 March 2026 level (Eu126.0mn), implying confidence that the Q1 improvement extends, with a progressive acceleration over the course of the year compared to the first quarter. Our estimates sit comfortably within this framing: Eu281.4mn of sales (+9%), Eu50.4mn of EBITDA (+24%) and Eu119.2mn of year-end net debt imply an H2-weighted delivery consistent with the guided acceleration, the Rail backlog conversion from 2H26 and the Trencher recovery already visible sequentially. Against the 1Q26 run-rate (EBITDA Eu10.1mn), our full-year number requires an average of Eu13.4mn per quarter over the remaining nine months, demanding but consistent with the seasonal pattern and the margin momentum in Energy.

Tesmec – P&L FY23-28E

(Eu mn)	2023	2024	2025	2026E	2027E	2028E	CAGR 2025-2028E
Energy	68	77	97	111	128	146	14.8%
Trencher	137	125	108	117	123	131	6.8%
Railway	47	50	53	54	59	65	6.7%
Revenues	**251.9**	**239.5**	**257.6**	**281.4**	**310.1**	**342.2**	**9.9%**
YoY change %	3%	-5%	8%	9%	10%	10%	
Operating costs	-218	-198	-217	-231	-249	-271	
YoY change %	4%	-9%	9%	6%	8%	9%	
Energy	10.0	11.3	19.4	25.1	31.2	38.5	25.7%
Trencher	15.4	20.2	11.0	14.9	17.7	19.3	20.7%
Railway	8.6	9.5	10.2	10.4	12.2	13.5	9.9%
EBITDA	**34.0**	**41.1**	**40.5**	**50.4**	**61.1**	**71.3**	**20.7%**
margin %	13.5%	17.1%	15.7%	17.9%	19.7%	20.8%	
YoY change %	-3.3%	20.7%	-1.3%	24.4%	21.2%	16.7%	
D&A	-23.0	-20.7	-20.2	-22.1	-22.4	-23.0	
EBIT	11.1	20.4	20.4	28.3	38.7	48.3	33.3%
margin %	4.4%	8.5%	7.9%	10.1%	12.5%	14.1%	
YoY change %	-15.7%	84.1%	0.0%	38.9%	36.7%	24.8%	
Financial expenses	-15.655	-16.6	-19.7	-13.3	-13.3	-12.8	
Pretax profit	-4.6	3.8	0.6	15.0	25.4	35.5	
YoY change %	-139.6%	-182.1%	-83.1%	2258.5%	69.3%	39.8%	
Taxes	1.9	-3.6	-3.0	-4.2	-7.2	-10.1	
Tax rate %	41.3%	95.5%	478.3%	28.3%	28.5%	28.5%	
Net Profit before minorities	-2.7	0.2	-2.4	10.8	18.2	25.4	
YoY change %	-134.1%	-106.3%	-1515.3%	-547.0%	68.9%	39.8%	
Minorities/Discountinued Operations	-0.3	-5.4	4.5	0.0	0.0	0.0	
Net Profit	**-3.0**	**-5.2**	**2.1**	**10.8**	**18.2**	**25.4**	**128.5%**
YoY change %	-137.5%	76.2%	-140.7%	405.6%	68.9%	39.8%	
Non recurring items	0.0	-5.1	4.5	0.0	0.0	0.0	
Adj. net Profit	-3.0	-0.1	-2.4	10.8	18.2	25.4	nm
YoY change %	-137.5%	-95.6%	1725.4%	-553.2%	68.9%	39.8%	
Per share data	**2023**	**2024**	**2025**	**2026E**	**2027E**	**2028E**	**CAGR 2025-2028E**
Number of shares m	606.5	606.5	606.5	606.5	606.5	606.5	0.0%
Shares net of treasury shares	601.7	601.7	601.7	601.7	601.7	601.7	0.0%
EPS Adj.	-0.005	0.000	-0.004	0.018	0.030	0.042	nm
growth %	nm	nm	nm	nm	68.9%	39.8%	
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
FCF per share	-0.017	-0.015	0.034	0.019	0.020	0.028	-6.2%
BVPS	0.126	0.125	0.128	0.146	0.176	0.218	19.3%

Source:Company data, Intermonte SIM

Tesmec – Balance Sheet FY23-28E

(Eu mn)	2023	2024	2025	2026E	2027E	2028E	Avg. 2026E-2028E
Intangible assets	39.3	42.2	42.2	42.2	42.2	42.2	
Tangible assets	74.0	57.6	67.5	69.7	72.2	74.5	
Financial assets	6.3	7.1	7.1	7.1	7.1	7.1	
Net fixed assets	**119.6**	**106.9**	**116.8**	**119.0**	**121.5**	**123.8**	**121.5**
Inventories	110.6	96.1	87.7	91.2	102.6	114.6	
Receivables	45.6	55.4	61.1	66.7	73.5	81.1	
Payables	-82.8	-79.9	-103.8	-115.4	-130.2	-143.7	
Other assets/liabilities	13.4	28.2	26.8	26.8	26.8	26.8	
Net working capital	**86.8**	**99.8**	**72.0**	**69.3**	**72.7**	**78.8**	**73.6**
Other long term assets/liabilities	25.3	17.8	15.5	16.8	16.8	16.8	
Net Invested Capital	**231.7**	**224.6**	**204.2**	**205.1**	**211.0**	**219.5**	**211.9**
Net Debt /(Cash)	**153.5**	**147.0**	**130.4**	**119.2**	**106.9**	**90.0**	**105.4**
Minorities	2.0	2.0	-2.5	-2.5	-2.5	-2.5	
Shareholders funds	76.2	75.6	77.7	88.5	106.6	132.0	
Total Shareholders Funds	**78.2**	**77.6**	**73.7**	**85.9**	**104.1**	**129.5**	**106.5**
Total Sources	**231.7**	**224.6**	**204.2**	**205.1**	**211.0**	**219.5**	**211.9**
Net Debt/EBITDA	4.5 x	3.6 x	3.2 x	2.4 x	1.8 x	1.3 x	
Capex/Sales	6.5%	10.4%	9.7%	8.6%	8.0%	7.4%	
Working Capital/Sales	34.5%	41.7%	27.9%	24.6%	23.4%	23.0%	
ROE	-3.9%	-6.9%	2.7%	12.2%	17.0%	19.2%	
ROIC	3.3%	6.3%	7.0%	9.7%	12.8%	15.4%	

Source:Company data, Intermonte SIM

Tesmec – Balance Sheet FY23-28E

(Eu mn)	2023	2024	2025	2026E	2027E	2028E	Avg. 2026E-2028E
EBITDA	34.0	41.1	40.5	50.4	61.1	71.3	
Capex	-16.4	-24.8	-25.0	-24.3	-24.9	-25.3	
Taxes	1.9	0.3	-3.0	-4.2	-7.2	-10.1	
Change in working capital	-6.2	-13.0	27.8	2.7	-3.4	-6.1	
Other operating items	-7.7	3.7	0.0	0.0	0.0	0.0	
Financial charges	-15.7	-16.6	-19.7	-13.3	-13.3	-12.8	
Free Cash Flow	-10.0	-9.3	20.6	11.2	12.3	17.0	-6.2%
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	0.0	
Change in Equity	0.0	0.0	-6.0	0.0	0.0	0.0	
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Others	-15.1	15.8	1.2	0.0	0.0	0.0	
Decrease/(Increase) in Net Debt	-25.1	6.5	15.8	11.2	12.3	17.0	2.4%
Net Debt end of period	153.5	147.0	130.4	119.2	106.9	90.0	

Source:Company data, Intermonte SIM

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	**TESMEC**		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	0.46	Previous Target (Eu):	0.19
Current Price (Eu):	0.33	Previous Price (Eu):	0.15
Date of report:	18/06/2026	Date of last report:	11/05/2026

Intermonte

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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.

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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:	31.88%
OUTPERFORM:	39.86%
NEUTRAL:	28.26%
UNDERPERFORM:	00.00%
SELL:	00.00%

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BUY:	51.85%
OUTPERFORM:	29.63%
NEUTRAL:	17.29%
UNDERPERFORM:	01.23%
SELL:	00.00%

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In order to disclose its possible conflicts of interest Intermonte SIM states that:

Intermonte SIM S.p.A. operates or has operated in the last 12 months as the person in charge of carrying out the share buyback plan approved by the shareholders' meeting of AZIMUT, ECOSUNTEK, EL.EN., ELICA, FILA, FINCANTIERI, INTERCOS, INTRED, PHARMANUTRA, SESA, SG COMPANY, STAR7, SYS-DAT, TMP GROUP, UNIDATA, VALSOIA, WEBUILD

Intermonte SIM S.p.A. provides or has provided corporate brokerage services to ABC COMPANY, AEROPORTO GUGLIELMO MARCONI DI BOLOGNA, ALLCORE, ALMAWAVE, ANTARES VISION, AVIO, CASTA DIVA GROUP, CUBE LABS, CY4GATE, DOMINION HOSTING HOLDING, ELICA, ESPRINET, EVISO, EXECUS, FINE FOODS & PHARMACEUTICALS NTM, FRANCHI UMBERTO MARMI, GPI, GREEN OLEO, HIGH QUALITY FOOD, IGD, IKONISYS SA, INTRED, ISCC FINTECH, LEMON SISTEMI, LUVE, MAPS, MARE ENGINEERING GROUP, NEODECORTECH, NOTORIOUS PICTURES, PREATONI GROUP, REDELFI, REDFISH LONGTERM CAPITAL, REVO INSURANCE, REWAY GROUP, SERI INDUSTRIAL, SPINDOX, STAR7, TECNO, ULISSE BIOMED, WIIT, XENIA HOTELLERIE SOLUTION, Zest Group SpA **in the last 12 months**

Intermonte SIM S.p.A. operates or has operated in the last 12 months as Financial Content Provider on the company ALLCORE, ALMAWAVE, B&C SPEAKERS, BANCA SISTEMA, BIFIRE, CASTA DIVA GROUP, COFLE, COM.TEL, CUBE LABS, CY4GATE, DIGITOUCH, DOMINION HOSTING HOLDING, ECOSUNTEK, ELES, ELICA, ENERGY, EVISO, EXECUS, FIERA MILANO, FILA, FOPE, G.M. LEATHER, GREEN OLEO, HIGH QUALITY FOOD, IGD, IKONISYS SA, INTERCOS, INTRED, ISCC FINTECH, LEMON SISTEMI, MAPS, MARE ENGINEERING GROUP, MASI AGRICOLA, MATICA FINTEC, MISITANO & STRACUZZI SPA, NEODECORTECH, NOTORIOUS PICTURES, OLIDATA, PREATONI GROUP, RACING FORCE, REDELFI, REDFISH LONGTERM CAPITAL, SG COMPANY, SIMONE, SPINDOX, TAMBURI, TECNO, TMP GROUP, ULISSE BIOMED, XENIA HOTELLERIE SOLUTION, Zest Group SpA

Intermonte SIM S.p.A. performs or has performed in the last 12 months the role of intermediary appointed in the public purchase and/or exchange offer transaction of ANTARES VISION, MARE ENGINEERING GROUP, TINEXTA

Intermonte SIM S.p.A. operates or has operated in the last 12 months as liquidity provider of BANCA SISTEMA, Zest Group SpA

Intermonte SIM has acted as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying.

Intermonte SIM is acting as financial advisor to Banca CF+ in the context of the public tender offer promoted on Banca Sistema.

Intermonte SIM S.p.A. performs or has performed in the last 12 months the role of financial advisor for BANCA GENERALI, BANCO BPM, MARE ENGINEERING GROUP, TELECOM ITALIA, TINEXTA

Intermonte SIM S.p.A. operates or has operated in the last 12 months as market maker on financial instruments with underlying shares issued by A2A, AMPLIFON, AZIMUT, BANCA GENERALI, BANCA IFIS, BANCA MEDIOLANUM, BANCO BPM, BCA MPS, BCA POP SONDRIO, BFF BANK, Bper Banca, BREMBO, BUZZI, CAMPARI, DANIELI & C, DIASORIN, ENEL, ENI, ERG, FERRARI, FINECOBANK, INDUSTRIE DE NORA, INTERPUMP GROUP, INTESA SANPAOLO, INWIT, IREN, ITALGAS, IVECO GROUP, LEONARDO, LOTTOMATICA GROUP, MEDIOBANCA, MFE B, MONCLER, MONDADORI EDIT., NEXI, OVS, PIRELLI & C, POSTE ITALIANE, PRYSMIAN, SAIPEM, SESA, SNAM S.p.A., STELLANTIS, STMICROELECTRONICS, TECHNOGYM, TECHNOPROBE, TELECOM ITALIA, TELECOM ITALIA R, TENARIS, TERNA, UNICREDIT, UNIPOL, WEBUILD

Intermonte Sim S.p.A. has or had in the last 12 months a marketing contract on instruments issued by BARCLAYS, BNP PARIBAS, GOLDMAN SACHS GROUP INC, LEONTEQ, MAREX FINANCIAL, MEDIOBANCA, MORGAN STANLEY, NATIXIS, SOCIETE GENERALE, UNICREDIT, VONTOBEL N

Intermonte SIM S.p.A. performs or has performed in the last 12 months the role of specialist on financial instruments issued by ABITARE IN, AQUAFIL, BANCA IFIS, BANCA SISTEMA, COFLE, COM.TEL, DIGITOUCH, ECOSUNTEK, EL.EN., EMAK, ENERGY, FNM, GEFRAN, GREEN OLEO, INTRED, MATICA FINTEC, MISITANO & STRACUZZI SPA, MONDADORI EDIT., OLIDATA, OMER, PHARMANUTRA, POWERSOFT, QF ALPHA IMM, REPLY, SESA, SG COMPANY, SOMEC, STAR7, SYS-DAT, TAMBURI, TESMEC, THE ITALIAN SEA GROUP, TINEXTA, TMP GROUP, TXT E-SOLUTIONS, UNIDATA **with the obligation to disseminate studies**

Intermonte SIM S.p.A. plays or has played in the last 12 months the role of sponsor for UNIDATA S.p.A.

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website https://www.intermonte.it/it/avvertenze-legali/mifid-ii.html

Further information is available.