

EAI RO: Strong FY 2025 beat, 2026 Budget tempered by consolidation timing | NEUTRAL

EAI RO: * FY 2025 Results. Electro-Alfa International reported a strong FY 2025 performance, with net profit rising 73.7% Y/Y to RON 99.8m, 21.2% above our RON 82.3m estimate, supported by stronger-than-modelled sales and a better EBITDA margin.

**Sales advanced 28.3% Y/Y to RON 832.2m, 9.1% ahead of our estimate, mainly driven by EPC services, which more than offset the shortfall in merchandise sales and the slightly softer-than-expected export contribution. Revenues from electrical equipment production increased 59.8% Y/Y to RON 452.0m, broadly in line with our RON 446.7m estimate, supported by stronger demand for low- and medium-voltage equipment and wider exposure to external markets. EPC services rose 21.5% Y/Y to RON 361.6m, exceeding our RON 293.8m estimate by 23.1%, while merchandise sales dropped 77.7% Y/Y to RON 14.9m, 31.5% below our forecast. Exports continued to gain scale, increasing 40.9% Y/Y to RON 110.8m, although they came 4.3% below our estimate of RON 115.8m. The sharp decline in merchandise sales was driven by a temporary slowdown in deliveries under externally funded programmes targeting Ukraine. In the first part of 2025, these programmes were affected by uncertainty following adjustments in U.S. government support. Although funding flows resumed in H2 2025, the long implementation cycle of these contracts means that a significant share of the related revenues should be recognised in FY 2026.

**The cost base expanded alongside activity levels, with major categories reflecting higher volumes and operational scaling. Raw materials and goods rose 30.7% Y/Y to RON 396.9m, mainly on increased production activity. Employee expenses increased 50.9% Y/Y to RON 80.1m, reflecting both headcount growth, with the average number of employees rising to 382 from 282, and a 10.8% Y/Y gross salary increase. Service expenses, largely linked to subcontracting within EPC projects, grew by a more contained 6.1% Y/Y to RON 202.0m, as the larger workforce reduced reliance on external providers. Other operating costs, including utilities, transport, maintenance and depreciation, evolved broadly in line with business growth, while D&A remained broadly stable, up 3.6% Y/Y to around RON 10.8m.

** EBITDA jumped 61.7% Y/Y to RON 126m, 15.8% above our RON 108m estimate, mainly on better-than-expected profitability in electrical equipment production. The EBITDA margin widened to 15.1%, from 12.0% in FY 2024, and stood above our 14.2% estimate.

EBIT reached RON 115m, implying a 13.8% margin, up 70.7% Y/Y and 17.2% above our estimate.

**The net financial result was broadly stable Y/Y, at a RON 2.1m expense, and 34.3% below our estimated RON 3.2m, mainly due to higher-than-expected interest income. As a result, FY 2025 net profit reached RON 99.8m, up 73.7% Y/Y and 21.2% above our estimate.

* **FY 2026 Budget.** For 2026, Electro-Alfa International targets consolidated revenues of RON 1,014m, implying a further 21.8% Y/Y increase from the strong FY 2025 base. The budget points to an EBITDA of RON 133m (+5.9% Y/Y) and a 13.1% margin, alongside an EBT of RON 111m (-1.5% Y/Y).

**The budget factors in the consolidation of previously announced acquisitions, including the integration of a minority stake. Spiact Craiova will be consolidated from Q2 2026, while Elcomex IEA will enter the perimeter from Q3 2026, leading to a progressively larger revenue contribution in the second half. Separately, the Group continues to pursue strategic expansion initiatives. On 9 April 2026, Electro-Alfa signed an agreement to acquire the entire share capital of Solar Technologies Consulting SRL, a company developing a ready-to-build electricity storage project in Sibiu County, with an installed capacity of approximately 52 MW, all required permits obtained and land rights secured. The project development cost is estimated at around EUR 25m, with works expected to take approximately 12 months from completion of the design phase. Following development, the Company will assess whether to operate the facility or monetise it through a sale to potential investors in the energy sector. The Group is also assessing the creation of a new subsidiary, 51%-owned by Electro-Alfa, focused on design and engineering services. Cost assumptions incorporate inflationary pressure and labour-market conditions. The Group budgeted a 10% Y/Y increase in the gross wages for existing employees, reflecting the need to remain competitive in attracting and retaining qualified staff. This applies only to the current workforce, while management continues to apply strict cost discipline across operations.

*CAPEX is budgeted at a moderate level of around EUR 3.6m, mainly directed toward maintenance and replacement investments. No major production-capacity expansion project has been approved at this stage, suggesting a cautious stance on large-scale spending, while still preserving the efficiency and reliability of the existing asset base.

* **Our view:** EAI's strong FY 2025 results came ahead of our estimates, with net profit 21.2% above our forecast on stronger sales and a better EBITDA margin. By contrast, the 2026

budget points to sales, EBITDA and EBT below our estimates. The gap appears largely linked to consolidation timing, as our numbers were built on a pro-forma basis, assuming full-year inclusion of the announced acquisitions, while the company's budget consolidates Spiact from Q2 2026 and Elcomex from Q3 2026. A secondary factor could be a slightly more conservative contribution from the entities entering the perimeter. After adjusting for consolidation phasing, our FY 2026 estimates move closer to the budget, with EBITDA at RON 137m, just 3.1% above the company's target, and sales at RON 1,097m, 8.2% higher than budgeted suggesting a better-than-expected planned EBITDA margin (13.1% budgeted vs. 12.1% estimated) | **NEUTRAL**.