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Oggetto : SECO: record revenue and EBITDA in FY
2021, results beating analysts' consensus

Testo del comunicato

Vedi allegato.



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SECO: record revenue and EBITDA in FY 2021, results beating analysts' consensus

Board of Directors has approved the Consolidated Annual Report and the draft Annual Report at December 31, 2021

- Total revenue and operating income at €116.3M, €2M+ higher vs. the official guidance and the analysts' consensus
- Net sales at €112.3M in 2021, +47.5% vs. 2020; organic growth at 28.2%
- Gross margin at €53.1M in 2021 (47.3% of Net sales), +47.6% vs. 2020
- EBITDA adjusted at €25.3M in 2021 (22.5% of Net sales), +58.9% vs. 2020 and 3% higher than analysts' consensus
- Strong acceleration in revenue and profitability in Q4 2021: Net sales at €45.4M (+113.1% vs. Q4 2020, of which 50.7% organic growth), Adjusted EBITDA at €11,2M (+93.4% vs. Q4 2020, ca. 25% of net sales), Adjusted Net income at €4.4M (+31.7% vs. Q4 2020, ca. 10% of net sales)
- Order backlog at €157M as of 28.02.22, more than doubled on a like-for-like¹ basis vs. February 2021
- Operating cash flow at €13.6M, growing by over 30% vs. 2020 (€10.2M)
- SECO, hoping for a fast diplomatic solution to the ongoing war between Russia and Ukraine, monitors on a daily basis the geopolitical context and the situation between the two countries,

¹ Including the Garz & Fricke Group results starting from January 1, 2021



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whose weight on the 2021 figures has not been significant, to evaluate their potential future effects

Arezzo, March 21, 2022 – The Board of Directors of SECO S.p.A. (“**SECO**”), which met today, has approved the draft of the Annual Report and the Consolidated Annual Report at December 31, 2021, which will be submitted for approval to the Shareholders' Meeting, called for April 27, 2022.

2021 was a year of important growth for SECO, with a significant increase in net sales (€112.3M, +47.5% vs. 2020) and a more than proportional increase of Adjusted EBITDA (€25.3M), growing by 58.9% vs. 2020.

In particular, in the fourth quarter of 2021 these indicators grew by 113.1% (Net sales, +50.7% on an organic basis), 93.4% (Adjusted EBITDA) and 31.7% (Adjusted Net income) compared to the same period of 2020.

Massimo Mauri, CEO of the Group, commented: “Given the 2021 market conditions, surely impacted by the pandemic and the components’ shortage, I consider these results exceptional. I want to thank all our people and customers who made them possible. SECO’s business model is continuously evolving, 2021 has been a year of transformation that will continue in 2022. We are very well positioned to benefit from the enormous growth opportunities that the sector will offer in the coming years: we are living at the very beginning of a huge industrial revolution where the adoption of technologies such as edge computing, AI, and 5G will transform many of the industrial processes. Our potential is enormous: we expect to unlock it in the forthcoming years, with a strong value creation for all our stakeholders”.

SECO’s results in the period

Total revenue and operating income rise from €79.5M in 2020, to €116.3M as of December 31, 2021, increasing by 46.3% compared to the previous year. Such increase derives from an important growth in **net sales**, which rise from €76.1M at 31.12.20 to € 112.3M at 31.12.21 (+47.5%). This result is mainly related to the following factors:

- (i) organic growth of €21.5M (+28.2%), attributable to the increase in sales volumes;
- (ii) inorganic growth of €14.7M, mainly attributable to the acquisition of the companies SECO Mind USA² (€2.0M), Piri.ai, Inc (€0.3M) and the Garz & Fricke Group (€12.4M), completed in 2021.

² Formerly named Oro Networks, LLC



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In particular, in Q4 2021 Net sales amounted to €45.4M, +113.1% (organic growth at 50.7%) compared to the same period of 2020.

Besides, the spread of the CLEA platform, officially launched in March 2021, also continued in the fourth quarter: during the year, revenue generated from CLEA amounted to ca. €4.5M, of which ca. €2.2M in the fourth quarter.

The significant growth in edge computing business also continued, mainly driven by the Industrial, Transportation, Vending and Fitness sectors.

Gross margin³ rises from €36.0M (47.2% of the corresponding Net sales) in 2020 to €53.1M (47.3% of the corresponding Net sales) as of December 31, 2021, increasing by 47.6% compared to 2020.

In Q4 2021, Gross margin increased by 104.5% vs. Q4 2020, with an incidence of 47.6% on the related net sales.

Adjusted EBITDA rises from €15.9M as of December 31, 2020 (20.9% of the corresponding Net sales) to €25.3M as of December 31, 2021 (22.5% of the corresponding Net sales), increasing by 58.9% compared to 2020.

This indicator improves on relative and absolute terms, primarily thanks to the operating leverage effect on fixed costs generated by the growth of the business.

In Q4 2021, Adjusted EBITDA increased by 93,4% vs. Q4 2020, with an incidence of 24.8% on the related net sales.

Gross of the adjustments performed to calculate the Adjusted EBITDA, related to non-recurring items and transactions that SECO considers as not related to the group's operating performance, the EBITDA rises from €12.1M as of December 31, 2020 to €18.1M as of December 31, 2021.

Adjusted EBIT⁴ increases from €11.1M (14.6% of the corresponding Net sales) as of December 31, 2020, to €16.8M (14.9% of the corresponding Net sales) as of December 31, 2021, increasing by 50.6% compared to the same period of the previous year.

In Q4 2021, Adjusted EBIT increased by 137.1% vs. Q4 2020, with an incidence of 16.8% on the related net sales.

Gross of the above-mentioned adjustments, due to the adjustment of non-recurring items or items not related to the group's operating performance, the EBIT goes from €7.3M as of December 31, 2020 to €9.5M as of December 31, 2021.

³ *Gross margin*: corresponds to the difference between the revenue from sales and the costs for raw materials, consumables and merchandise, net of the change in the amount of inventory occurred during the period.

⁴ *Adjusted EBIT*: corresponds to the result of the period gross of the income taxes, the financial income and expenses, the income or losses from foreign exchange transactions, the effects of non-recurring items and transactions that the directors consider as not related to the Group's operating performance.



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Adjusted Net income⁵ increases from €7.9M (10.3% of the corresponding revenue) in 2020 to €11.5M (10.3% of the corresponding revenue) as of December 31, 2021, increasing by 46.7% compared to the previous year.

In Q4 2021, Adjusted Net income increased by 31.7% vs. Q4 2020, with an incidence of 9.6% on the related net sales.

Gross of the above-mentioned adjustments, due to the adjustment of non-recurring items or items not related to the Group's operating performance, as well as their estimated tax effect, the Net income goes from €5.5M as of December 31, 2020 to €6.5M as of December 31, 2021.

Adjusted net financial debt changes from a €11.4M net debt as of December 31, 2020 to a net debt of €97.5M as of December 31, 2021. This increase is mainly related to the opening of new loans occurred during the year for the M&A deals carried out by SECO in line with its growth project at a worldwide level.

The net financial debt, instead, changes from a €17.8M net debt as of December 31, 2020 to a net debt of €109.5M as of December 31, 2021. The cash flow from operation rises from €10.2M as of December 31, 2020 to €13,6M as of December 31, 2021 (+33%).

SECO outlook on the status of the business

The first part of 2022 was characterized by a complex market environment due to the shortage of electronic components.

Nevertheless, SECO is registering a strong acceleration of the business, as expressed by all its main indicators. In particular, it is observed a strong growth in the demand by new and existing customers, which generated a significant increase in the order backlog, equal to €157M as of 28.02.2022. This amount is more than two-times higher, on a like-for-like basis, compared to the same period of 2021. Design wins, pipeline and order intake tracked on a monthly basis suggest how the robust organic growth can be considered structural and durable.

With regards to the CLEA business, it is observed an increase of the conversion rate by the customers that decide to adopt the platform: in addition, the negotiations currently ongoing with leads and customers involve a total of over 500,000 devices that can potentially be connected to CLEA.

The so outlined positive outlook is further reinforced by the significant cost and revenue synergies that SECO expects to generate as a result of the M&A transactions carried out during 2021, now integrated within SECO Northern Europe, SECO Mind Srl and SECO Mind USA.

⁵ *Adjusted Net Income*: corresponds to the result of the period gross of the effects of non-recurring items and transactions that the directors consider as not related to the Group's operating performance, considered taking into account an estimated tax effect based on a 24% tax rate (IRES tax rate).



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In conclusion, even considering a complex market environment, SECO believes it can express, thanks to its competitive positioning and the uniqueness of its edge and AI solutions offering, growth rates above the market. The growth expected in the first quarter of the year, between 110% and 115% (53%-58% on an organic basis), with net sales at €41-42M as communicated to the market on March 2, 2022, is therefore confirmed.

Conference call

The results as of December 31, 2021 will be illustrated today, March 21, 2022, at 16.00 (CET), during a conference call with the financial community. The conference call can be attended by registering at the following link:

<https://b1c-co-uk.zoom.us/meeting/register/tZAlc-CrrT4tG9doprBccj0KuEaCmaOeH6qY>

Alternative performance indicators

In this press release, use is made of certain “alternative performance indicators” that are not envisaged in IFRS-EU accounting standards, and whose significance and content are illustrated below, in line with the ESMA/2015/1415 recommendations published on October 5, 2015.

Adjusted EBITDA: defined as the result of the period gross of the income taxes, the financial income and expenses, the depreciation and amortization, the income or losses from foreign exchange transactions, the effects of non-recurring items and transactions that the directors consider as not related to the Group’s operating performance.

Adjusted Net financial debt: represents the algebraic sum between cash and cash equivalents, financial receivables, current and non-current financial debt, adjusted for the VAT credit, the current and non-current financial liabilities deriving from leases recognised as a result of the application of IFRS 16, and any put & call options subscribed.

Proposal for the allocation of the net profit for the year

The Board of Directors will propose to the Shareholders’ Meeting to allocate SECO’s net income, equal to Euro 2,469,923, to the extraordinary reserve.

Additional Board of Directors resolutions

The Board of Directors has also approved SECO’s 2021 Consolidated Non-Financial Declaration.

In addition, further proposals of resolution to be submitted to the Ordinary and Extraordinary Shareholders’ meeting, both called for April 27, 2022, have been approved by the Board.



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In particular, the Shareholders' meeting will be asked to resolve, besides the Report on the remuneration policy and the compensation paid pursuant to art. 123-ter, paragraphs 3-bis and 6 of the D.lgs. 58/1998, upon the amendment of the terms of implementation of the existing "Stock Option plan of SECO S.p.A.", so that SECO shares can be attributed to the beneficiaries of the plan on a cashless basis, upon request by the beneficiaries as an alternative to the payment of the strike price, and the approval of the related free share capital increase (by the Extraordinary Shareholders' meeting) which will add to the paid capital increase already resolved by the Shareholders' meeting on March 1, 2021, for the purposes of the same plan.

The amendment of the directors' compensation, pursuant to art. 2389 of the Italian civil code and considering the increase of the SECO group's perimeter due to, among others, the acquisition of the Garz & Fricke Group, will also be proposed.

In light of the full conversion of the "Management '19 shares" into ordinary shares of SECO, the amendment of the Articles of Association will be proposed to the Shareholders' meeting in order to write off any reference to such "Management '19 Shares".

Finally, the Board of Directors resolved to submit to the Shareholders' meeting the renewal of the authorization to the purchase and disposal of treasury shares, already granted by the Ordinary Shareholders' meeting on March 1, 2021, which will expire on September 1, 2022, save for the withdrawal of the resolution already adopted.

With regards to this, it is specified that the proposal aims at providing the Company with a useful strategic investment opportunity, also taken into account the purposes allowed by the existing regulation – including those mentioned in the article 5 of the EU 596/2014 Regulation (Market Abuse Regulation, hereinafter "MAR") and the practices allowed by art. 13 of the MAR where applicable, including but not limited to option programs involving shares or other shares assignments to employees or board members, or the possible use of shares as payment in extraordinary transactions, even involving the exchange of equity investments with other subjects, within the context of operations in the interest of the Company. The authorization to the purchase of treasury shares will be requested for a period of 18 months, effective from the Shareholders' meeting resolution; the authorization to the disposal of the shares will be requested with no time constraints. All the information regarding the terms and the conditions of the authorization will be made available into the Illustrative Report on the treasury share buyback program that will be made available to the Shareholders according to the terms outlined by the existing regulation.

As of today, SECO holds n. 1,140,000 treasury shares, corresponding to 1.0321% of the share capital.

The notice of call of the Shareholders' Meeting will be made available to the public in accordance with the provisions of law, on the website of the Company (www.seco.com, Section "Investor Relations"), as well as on the on the authorised storage device "eMarket STORAGE" on the website www.emarketstorage.com.

Within the terms outlined by the applicable laws and regulations, the Directors' Reports regarding the topics to be examined by the Shareholders' meeting and the additional documentation related to such topics, including the Informative Document regarding the "Stock Option plan of SECO SpA" amendment, drafted pursuant to art. 84-bis of the Issuers' Regulation



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adopted by CONSOB with resolution n. 11971 of March 14, 1999 and subsequent amendments and integrations, will be made available on the website of the Company (www.seco.com, Section "Investor Relations"), as well as on the on the authorised storage device "eMarket STORAGE" on the website www.emarketstorage.com.

The Manager responsible for preparing the Company's financial reports, Lorenzo Mazzini, declares, pursuant to paragraph 2 of Article 154 bis of the Consolidated Law on Finance (Testo Unico della Finanza), that the accounting information contained in this press release corresponds to the documented results, accounts and bookkeeping records.



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Description of SECO

SECO (IOT.MI) develops and manufactures cutting-edge technological solutions, from miniaturized computers to fully customized integrated systems combining hardware and software. SECO also offers Clea, a proprietary end-to-end IoT-AI analytics software suite, made available on a SaaS basis, that allows clients to gather insightful data from their on-field devices in real time. SECO employs almost 800 people worldwide and operates through 5 production plants, 9 R&D hubs and sales offices in 9 countries. SECO serves more than 300 blue-chip customers which are leaders in their respective fields, including Medical, Industrial Automation, Aerospace & Defense, Fitness, Vending and many other sectors. SECO R&D capabilities are further enhanced by long-lasting strategic partnerships with tech giants and collaborations with universities, research centers, and innovative start-ups. Corporate social responsibility is part of the strategy of SECO, that undertakes several actions to reduce its environmental footprint and increase its impact on its people and local communities.

For more information: <http://www.seco.com/>

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The consolidated accounting statements of SECO, subject to independent auditing, are illustrated below.

Consolidated Statement of Financial Position

(Amounts in thousands of euro)	31/12/2021	31/12/2020
Property, Plants and Equipments	16.797	13.272
Intangible assets	56.367	12.996
Rights of use	9.895	1.912
Goodwill	148.484	7.066
Non-current financial assets	1.801	246
Deferred tax assets	2.252	623
Other non-current assets	834	492
Total non-current assets	236.430	36.607
Inventories	61.685	31.417
Trade receivables	36.696	15.029
Tax receivables	6.373	9.080
Other receivables	3.491	2.556
Cash and cash equivalents	58.825	23.678
Total current assets	167.070	81.760
TOTAL ASSETS	403.500	118.367
Share Capital	1.074	776
Share premium reserve	118.981	14.781
Reserves	21.192	24.231
Group profit (loss)	4.149	4.038
Total Group Shareholders' Equity	145.396	43.826
Equity of Non-controlling interests	15.256	5.700
Net profit / (loss) of the year of Non-controlling interest	2.351	1.438
Minority interests	17.607	7
Total Shareholders' Equity	163.003	51
Employee benefits	3.065	2.973
Provisions	729	89
Deferred tax liabilities	12.029	43
Non-current financial liabilities	138.083	26.087
Non-current lease liabilities	6.964	1.194



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Other Non-Current Liabilities	612	608
Total non-current liabilities	161.482	30.994
Current financial liabilities	11.501	8.540
Current part of N-C Financial Liabilities	10.197	5.163
Current lease liabilities	1.552	537
Trade payables	39.949	15.289
Other payables	12.294	5.393
Current tax liabilities	3.522	1.487
Total current liabilities	79.015	36.409
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	403.500	67.454

Consolidated Income Statement

(Amounts in thousands of euro)	31/12/2021	31/12/2020
Net Sales	112.293	76.143
Other Revenues	4.045	3.356
Consumption Costs	(71.820)	(44.739)
Changes in Inventories	12.618	4.563
Costs for services	(12.757)	(6.626)
Personnel costs	(23.466)	(16.091)
Depreciation and amortization	(9.151)	(5.507)
Accruals and Provisions	(56)	(15)
Other Operating Costs	(2.181)	(3.809)
Operating Profit	9.525	7.275
Financial income	51	11
Financial costs	(1.397)	(472)
Exchange gains/losses	(611)	(712)
Profit / (loss) before tax	7.568	6.102
Income taxes	(1.068)	(626)
Profit / (loss) for the year	6.500	5.476
Minorities Profit / (loss) for the year	2.351	1.438
Group Profit / (loss) for the year	4.149	4.038
Earning per Share	0,06	5,27
Diluted Earning per Share	0,06	5



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Consolidated Statement of Comprehensive Income

(Amounts in thousands of euro)	31/12/2021	31/12/2020
Net profit for the year	6.500	5.476
Items that will be reclassified subsequently to profit or loss	748	(431)
Exchange gains/(losses) on translating foreign operations	1.510	-
Profit / (loss) on Cash Flow Hedge	(762)	(431)
Other gains/(losses) that will not be reclassified subsequently to profit or loss	(61)	(28)
Remeasurement of defined benefit plan	(73)	(38)
Tax effects of discounting employee benefits to present value	12	10
Other comprehensive income for the year, net of tax	687	5.017
Non-controlling interests	3.122	1.357
Owners of the Group	4.066	3.661
Total comprehensive income for the year	7.188	5.018

Consolidated Cash Flow Statement

(Amounts in thousands of euro)	31/12/2021	31/12/2020
Net profit for the year	6.500	5.476
Income taxes	1.068	626
Depreciation and amortization	9.151	5.507
Allocations of provisions, impairment of receivables and of inventory	-	830
Net change in employee benefits	31	333
Financial income/(costs)	1.347	461
Exchange (gains)/losses	611	712
Share-based payment costs	3.182	1.623
Operating cash flows before movements in working capital	21.890	15.568
(Increase)/decrease in trade receivables	(15.412)	4.855
(Increase)/decrease in inventories	(15.945)	(4.607)
Increase/(decrease) in trade payables	21.495	(1.218)



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(Increase)/decrease in current tax assets and liabilities	5.420	(2.814)
(Increase)/decrease in other receivables and payables	(1.524)	306
(Increase)/decrease in other non-current assets and liabilities	(381)	(153)
Utilisations of provisions	-	(34)
Interest received	51	11
Interest paid	(936)	(472)
Realized (gains)/losses on foreign exchange	559	(134)
Income taxes paid	(1.604)	(1.102)
Net cash (used in)/from operating activities (A)	13.613	10.206
(Additions)/Disposals of property, plant and equipment	(2.046)	(1.345)
(Additions)/Disposals of intangible assets	(11.607)	(7.384)
(Additions)/Disposals of non-current financial assets	(1.556)	120
Acquisition of company divisions net of cash and cash equivalents	(5.805)	-
Acquisition of subsidiaries net of cash and cash equivalents	(122.795)	(4.857)
Net cash (used in)/from investment activities (B)	(143.809)	(13.466)
Proceeds from bank borrowings	124.300	16.500
Payment of bank borrowings	(43.080)	(5.444)
Increase/(decrease) in current financial liabilities	815	278
Payment of lease liabilities	(752)	(572)
Dividends paid	-	-
Net increase in capital payments	87.227	9
Own shares purchase	(3.690)	-
Share purchase from non controlling interests	(100)	-
Net cash (used in)/from financing activities (C)	164.720	10.771
Net increase/(decrease) in Cash and Cash Equivalents (A+B+C)	34.524	7.511
Cash and Cash Equivalents at the beginning of the year	23.678	16.598
Effect of foreign exchange rate changes	623	(431)
Cash and Cash Equivalents at the end of the year	58.825	23.678

Consolidated Statement of Changes in Equity



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(Amounts in thousands of euro)	01/01/2021	Share Capital increase	Allocation of profit	Dividends Paid	Other changes	Acquisition/establishment of consolidated companies	Comprehensive income/(loss)	31/12/2021
Share Capital	776	298	-	-	-	-	-	1.074
Legal reserve	289	-	-	-	-	-	-	289
Share premium reserve	14.781	101.930	-	-	2.270	-	-	118.981
Other reserves	24.850	-	4.038	-	(2.754)	(4.410)	(761)	20.962
Translation reserve	(432)	-	-	-	170	-	719	457
FTA reserve	(371)	-	-	-	-	-	-	(371)
Discounting of employee benefits	(105)	-	-	-	-	-	(41)	(146)
Group profit (loss)	4.038	-	(4.038)	-	-	-	4.149	4.149
Group Shareholders' Equity	43.826	102.228	-	-	(314)	(4.410)	4.066	145.395
Minority interests in shareholders funds	5.701	-	1.438	-	(309)	7.656	791	15.277
Discounting of employee benefits	(1)	-	-	-	-	-	(20)	(21)
Minority interests in profit (loss)	1.438	-	(1.438)	-	-	-	2.351	2.351
Minority interests	7.138	-	-	-	(309)	7.656	3.122	17.607
Total Shareholders' Equity	50.964	102.228	-	-	(623)	3.246	7.188	163.002

Fine Comunicato n.2358-36

Numero di Pagine: 15