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| <i>Testo del comunicato</i> |
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Vedi allegato.



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SECO: 2022 nine-months results

Board of Directors has approved the consolidated results as of September 30, 2022

- Net sales at €144.8M in the first nine months of 2022, +116% compared to the same period of 2021; organic growth at +53%, like-for-like growth (including acquisitions' results starting from 01.01.2021) at +43%
- Gross margin at €68.1M in the first nine months of 2022 (47.1% of Net sales), +€36.6M (+116%) compared to the same period of 2021
- EBITDA adjusted at €32.1M in the first nine months of 2022 (22.1% of Net sales), +€18.0M (+128%) compared to the same period of 2021
- Adjusted Net income at €15.0M in the first nine months of 2022 (10.4% of Net sales), +€7.8M (+109%) compared to the same period of 2021
- €15M generated by the CLEA business (10% of sales) in the first nine months of 2022
- In Q3 2022, Net sales at €50.7M (+102% vs. Q3 2021), EBITDA Adjusted at €11.9M (23.6% of Net sales, +151% vs. Q3 2021)
- Order backlog at €169M as of 31.10.2022 vs. €114M on a like-for-like basis as of same period of 2021
- 2022 outlook: full-year revenue guidance confirmed at €200M

Arezzo, November 10, 2022 – The Board of Directors of SECO S.p.A. (“SECO”), which met today, has approved the consolidated results for the first nine months of 2022.



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In this period, SECO's growth trend has continued at a significant pace, with a strong increase in net sales across all the main geographical areas (€144.8M in the first nine months of 2022, +116.3% compared to the same period of 2021), an Adjusted EBITDA at €32.1M and an Adjusted Net income at €15.0M, growing by 128.0% and 109.0%, respectively, compared to the same period of the previous year.

Massimo Mauri, CEO of SECO, commented: *"The nine-month results show a strong growth in revenue and profitability, despite the persisting components' shortage and the complex macroeconomic scenario. I am very satisfied in observing the results from the actions taken in recent months: in the third quarter of the year, the acceleration of the Edge computing and CLEA businesses, combined with the price increase actions started in the previous quarters, have positively contributed to improve our profitability generating a significant operating leverage effect. One and a half year after its launch, the evolution of the CLEA business proves the effectiveness of our evolution strategy: the increase in the number of connected devices and customers interested in the functionalities of our IoT-AI software platform, together with the growth of the order backlog and the pipeline of new opportunities, allows us to confidently look at the remaining part of the year and 2023"*.

SECO's consolidated results in the period

Net sales rise from €66.9M in the first nine months of 2021 to €144.8M as of September 30, 2022, growing by €77.8M (+116.3%). Organic growth amounted to 52.8%, while like-for-like growth is equal to 42.5%. Such increase derives from a significant growth of the sales volumes in the EMEA, USA and APAC regions, which has continued also in the third quarter of the year (+101.6% vs. Q3 2021).

In the first nine months of the year the edge computing revenue (€130.2M) grew by 101% compared to the same period of 2021, thanks to an expansion of edge systems sales in several sectors, including Industrial, Fitness, Vending and Medical.

The growth of the CLEA business also continued: in the first nine months of the year, revenue generated amounted to ca. €15M, growing by 548% compared to the same period of 2021.

Gross margin¹ grows from €31.5M (47.1% of the corresponding revenue) in the first nine months of 2021 to €68.1M (47.1% of the corresponding revenue) as of September 30, 2022, increasing by €36.6M (+116.1%). This trend is essentially linked to the significant expansion of both the edge computing and CLEA businesses, each of them growing organically and thanks to the contribution of the companies acquired in 2021. The incidence on revenue is in line with the same period of 2021: the price increase actions taken by SECO during the last quarters, as well as the higher incidence of the CLEA business on the total turnover, have contributed to balance the effects of the continuing, significant and generalized increase in prices observed on the market for the purchase of components used by SECO in its manufacturing processes.

¹ *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.



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In the third quarter of the year, gross margin increased by 110.4% compared to the same period of 2021, with an incidence of 47.5% of the corresponding revenue and improving from the 46.8% observed in the first half of the year.

Adjusted EBITDA grows from €14.1M as of September 30, 2021 (21.0% of the corresponding revenue) to €32.1M as of September 30, 2022 (22.1% of the corresponding revenue), growing by €18.0M (+128.0%). This evolution is mainly due to the expansion of the business observed in the period, which led to generating an operating leverage effect, further accelerated during the third quarter (+150.9% vs. the same period of 2021). Incidence of energy costs, equal to ca. 0.5% of Net sales in the first nine months of the year, is not material.

To calculate Adjusted EBITDA, some adjustments have been made to account for the amount of some items, non-recurring or not related to the Group's operating performance: in particular, these items amount to ca. €2.1M overall in the first nine months of 2022, mainly including the actuarial (non-monetary) value of the three-year stock option plan attributed to some employees of the Group (ca. €1.7M) and some non-recurring costs linked to extraordinary transactions carried out by SECO (ca. €0.9M).

Gross of the above-mentioned adjustments, the EBITDA rises from €12.1M as of September 30, 2021 to €29.9M as of September 30, 2022, increasing by 148.2%.

Adjusted EBIT² changes from €9.1M (13.6% of the corresponding revenue) as of September 30, 2021 to €22.7M (15.7% of the corresponding revenue) as of September 30, 2022, with an increase of 148.8% as a result of the previously illustrated dynamics.

Gross of the above-mentioned adjustments, related to non-recurring items and items not related to the Group's operating performance, the EBIT goes from €7.1M as of September 30, 2021 to €19.6M as of September 30, 2022, increasing by 175.0%.

Adjusted Net income³ increases from €7.2M (10.7% of the corresponding revenue) in the first nine months of 2021 to €15.0M (10.4% of the corresponding revenue) as of September 30, 2022, increasing by 109.0%.

In addition to the previously illustrated dynamics, financial expenses were €2.7M higher compared to the same period of 2021, largely due to the acquisition financing of Garz & Fricke (now SECO Northern Europe).

Gross of the above-mentioned adjustments, related to non-recurring items and items not related to the Group's operating performance, as well as their estimated tax effect, the Net income goes from €5.3M as of September 30, 2021 to €12.0M as of September 30, 2022, increasing by 125.5%.

² *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.

³ *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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Adjusted net financial debt decreases from a €122.6M net debt as of June 30, 2022 to a net debt of €121.6M as of September 30, 2022, with an improvement of €1M, mainly thanks to the business expansion in the period.

Compared to the value observed as of December 31, 2021, equal to €97.5M, this indicator shows an increase of €24.1M. Such change is linked for ca. €28M to the significant increase of the inventory, aimed at sustaining the continued growth of the business and maximizing the quantity of components available for SECO in a context still heavily impacted by the shortage, thus ensuring the continuity of deliveries to its customers.

To calculate this indicator, adjustments have been made considering current and non-current financial liabilities deriving from leases, accounted for as a result of the application of IFRS 16 (€7.7M as of September 30, 2022), and the VAT credit (€1.6M as of September 30, 2022), which is structurally generated by SECO as a regular exporter and can be cashed in through factoring without recourse.

Gross of the above-mentioned adjustments, the net financial debt changes from a €132.4M net debt as of June 30, 2022 to a net debt of €130.9M as of September 30, 2022, improving by ca. €1.4M.

SECO outlook on the status of the business

Although the market scenario, still impacted by the persistence of the component shortages, is complicated by a difficult macroeconomic context, SECO continues to record a strong business acceleration: in fact, the positive trend in the acquisition of new customers and business opportunities, which contributed to generate a high organic growth, also continued in the first nine months of 2022.

The significant increase, compared to 2021, in order intake levels and order backlog, the design wins with new and existing customers that will enter mass production, as well as the important technological and product developments that SECO will continue to introduce in the remaining months of 2022 are expected to make the important organic growth trend generated by the Group continue also in the last quarter of the year.

It is observed, in fact, a considerable growth in demand from new and existing customers, which has generated an important increase in the order backlog, equal to €169M as of October 31, 2022 (vs. €114M observed, on a like-for-like basis, in the same period of 2021). Design wins, pipeline and order intake monitored on a monthly basis also suggest how the robust organic growth can be considered structural and lasting.

With reference to the CLEA business, we continue to observe an increase in the number of devices connected to the IoT-AI platform, as well as the number of existing or potential customers that are currently testing its functionalities. Also, by virtue of the partnerships recently signed by SECO, the portfolio of edge computing and IoT-AI applications is constantly being enriched, with a range of new solutions and functionalities that will be available on the market in the coming months.



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The generation of cost and revenue synergies deriving from the integration process of the companies acquired in 2021, which now operate as SECO Northern Europe, SECO Mind Srl and SECO Mind USA, is also continuing.

Finally, even considering a market environment heavily impacted by the trend of the key macroeconomic indicators and the persisting difficulties along the supply chain, SECO believes it can express growth rates higher than the market, thanks to its competitive positioning and the uniqueness of its edge and AI solutions offering.

The full-year revenue guidance at €200M, already communicated to the market on April 19, 2022, is therefore confirmed.

Conference call

The results as of September 30, 2022 will be illustrated on November 10, 2022, at 15.00 (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/tZAtcOitqTwrHtZ0DFyij_HsR45Y_vUAMYaX

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.

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, that allows clients to gather insightful data from their on-field devices in real time. SECO employs almost 900 people worldwide and operates through 5 production plants, 10 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: <https://www.seco.com/>

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The accounting statements of SECO Group, not subject to independent auditing, are illustrated below.

Consolidated Statement of Financial Position

| (in Euro thousands) | 30/09/2022 | 31/12/2021 |
|---|----------------|----------------|
| Property, Plants and Equipments | 15.976 | 16.797 |
| Intangible Assets | 64.575 | 56.367 |
| Right of Use | 9.060 | 9.895 |
| Goodwill | 195.497 | 148.484 |
| Non-current financial assets | 11.939 | 1.801 |
| Deferred tax assets | 2.245 | 2.252 |
| Other non-current assets | 678 | 834 |
| Total non-current assets | 299.970 | 236.430 |
| Inventories | 89.960 | 61.685 |
| Trade receivables | 44.601 | 36.696 |
| Current tax assets | 4.518 | 6.373 |
| Other receivables | 3.579 | 3.491 |
| Cash and Cash Equivalents | 37.530 | 58.825 |
| Total current assets | 180.188 | 167.070 |
| TOTAL ASSETS | 480.158 | 403.500 |
| Share capital | 1.154 | 1.074 |
| Reserves | 168.587 | 118.981 |
| Translation reserve | 30.840 | 21.192 |
| Net profit / (loss) of the year | 8.899 | 4.149 |
| Total Group Shareholders' Equity | 209.480 | 145.396 |
| Equity of Non-controlling interests | 18.345 | 15.256 |
| Net profit / (loss) of the year of Non-controlling interest | 3.122 | 2.351 |
| Minority interests | 21.467 | 17.607 |
| Total Shareholders' Equity | 230.947 | 163.003 |
| Employee Benefits | 3.402 | 3.065 |
| Provisions | 730 | 729 |
| Deferred tax liabilities | 13.510 | 12.029 |
| Non-current financial liabilities | 130.672 | 138.083 |
| Non-current lease liabilities | 6.088 | 6.964 |
| Other non-current liabilities | 8 | 612 |
| Total non-current liabilities | 154.410 | 161.482 |
| Current financial liabilities | 18.354 | 11.501 |
| Current part of N-C Financial Liabilities | 11.697 | 10.197 |
| Current lease liabilities | 1.659 | 1.552 |
| Trade payables | 47.414 | 39.949 |
| Other payables | 9.919 | 12.294 |
| Current tax liabilities | 5.757 | 3.522 |
| Total current liabilities | 94.801 | 79.015 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | 480.158 | 403.500 |



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Consolidated Income Statement

| (in Euro thousands) | 30/09/2022 | 30/09/2021 |
|---|-----------------|----------------|
| Net sales | 144.759 | 66.916 |
| Other revenues and income | 3.470 | 1.784 |
| Total revenues and operating income | 148.229 | 68.701 |
| Costs for services, goods and other operating costs | -92.865 | -43.005 |
| Personnel costs | -25.928 | -14.069 |
| Total costs and other operating charges | -118.794 | -57.074 |
| Amortisation and depreciation | -9.861 | -4.509 |
| Provisions and write-downs | 0 | 0 |
| Operating profit/(loss) | 19.574 | 7.118 |
| Financial income and charges | -3.098 | -413 |
| Exchange gains/(losses) | 489 | 429 |
| Profit/(loss) before tax | 16.966 | 7.134 |
| Income taxes | -4.945 | -1.803 |
| Profit/(loss) for the year | 12.022 | 5.331 |
| Non-controlling interests profit | 3.122 | 1.439 |
| Group profit/(loss) | 8.899 | 3.892 |
| Basic earnings per share | 0,08 | 0,06 |
| Diluted earnings per share | 0,08 | 0,06 |

Consolidated Statement of Comprehensive Income

| (in Euro thousands) | 30/09/2022 | 30/09/2021 |
|---|---------------|--------------|
| Net profit for the year | 12.022 | 5.331 |
| Other comprehensive income/(expense) which may be subsequently reclassified to the income statement: | 10.128 | 863 |
| Translation differences | 2.116 | 863 |
| Net gain/(loss) on Cash Flow Hedge | 8.012 | 0 |
| Other comprehensive income/(expense) which may not be subsequently reclassified to the income statement: | 0 | 0 |
| Discounting employee benefits | 0 | 0 |
| Tax effect discounting employee benefits | 0 | 0 |
| Total comprehensive income | 10.128 | 863 |
| Non-controlling interests | 4.100 | 1.796 |
| Parent company shareholders | 18.049 | 4.397 |
| Total comprehensive income | 22.149 | 6.193 |



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Consolidated Cash Flow Statement

| (in Euro thousands) | 30/09/2022 | 30/09/2021 |
|---|----------------|----------------|
| Net profit for the year | 12.022 | 5.331 |
| Income taxes | 4.945 | 1.803 |
| Amortization and depreciation | 9.861 | 4.509 |
| Provisions for risks, receivables and inventories | 0 | 0 |
| Change in employee benefits | 337 | 10 |
| Financial income/(charges) | 3.098 | 413 |
| Exchange gains/(losses) | -489 | -429 |
| Costs for share-based payments | 1.722 | 1.833 |
| Cash flow before working capital changes | 31.495 | 13.469 |
| Change in trade receivables | -7.549 | -8.105 |
| Change in inventories | -28.275 | -7.617 |
| Change in trade payables | 7.068 | 3.925 |
| Other changes in tax receivables and payables | -854 | 5.462 |
| Other changes in current receivables and payables | -2.164 | 279 |
| Other changes in non-current receivables and payables | -1.250 | -123 |
| Use of provisions for risks, receivables and inventories | -0 | 0 |
| Interest received | 15 | 4 |
| Interest paid | -1.975 | -417 |
| Exchange gains/(losses) realized | 388 | 519 |
| Income taxes paid | 0 | 0 |
| Cash flow from operating activities (A) | -3.100 | 7.397 |
| (Investments) /Disposals of property, plant and equipment | -1.694 | -1.315 |
| (Investments) /Disposals of intangible assets | -9.935 | -7.544 |
| (Investments) /Disposals of financial assets | -599 | -59 |
| Acquisition of business units net of cash and cash equivalents | 0 | -5.941 |
| Acquisition of subsidiaries net of cash and cash equivalents | 0 | 0 |
| Cash flow from investing activities (B) | -12.229 | -14.859 |
| New loan drawdowns | 0 | 676 |
| (Repayment) of bank loans | -5.911 | 0 |
| Change in current financial liabilities | 6.477 | 500 |
| Repayment lease financial liabilities | -1.285 | -401 |
| Dividends paid | 0 | 0 |
| Paid-in capital increase | -684 | 91.098 |
| Acquisition of treasury shares | -5.311 | 0 |
| Acquisition of shares from minorities | -230 | 0 |
| Cash flows from financing activities (C) | -6.944 | 91.872 |
| Increase (decrease) in cash and cash equivalents (A+B+C) | -22.273 | 84.411 |
| Cash & cash equivalents at beginning of the year | 58.825 | 23.678 |
| Translation differences | 978 | 863 |
| Cash & cash equivalents at end of the year | 37.530 | 108.952 |



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Consolidated Statement of Changes in Equity

| (in Euro thousands) | 01/01/2022 | Share Capital increase | Allocation of profit | Dividends paid | Other changes | Comprehensive income/(loss) | 30/09/2022 |
|--|----------------|------------------------|----------------------|----------------|---------------|-----------------------------|----------------|
| Share Capital | 1.074 | 0 | 0 | 0 | 80 | 0 | 1.154 |
| Legal reserve | 289 | 0 | 0 | 0 | 0 | 0 | 289 |
| Share premium reserve | 118.981 | 0 | 0 | 0 | 49.606 | 0 | 168.587 |
| Other reserves | 20.962 | 0 | 4.149 | 0 | -3.651 | 8.012 | 29.472 |
| Translation reserve | 457 | 0 | 0 | 0 | 0 | 1.138 | 1.595 |
| FTA reserve | -371 | 0 | 0 | 0 | 0 | 0 | -371 |
| Discounting of employee benefits | -146 | 0 | 0 | 0 | 0 | 0 | -146 |
| Group profit (loss) | 4.149 | 0 | -4.149 | 0 | 0 | 8.899 | 8.899 |
| Group Shareholders' Equity | 145.395 | 0 | 0 | 0 | 46.035 | 18.049 | 209.480 |
| Minority interests in shareholders funds | 15.277 | 0 | 2.351 | 0 | -240 | 977 | 18.366 |
| Discounting of employee benefits | -21 | 0 | 0 | 0 | 0 | 0 | -21 |
| Minority interests in profit (loss) | 2.351 | 0 | -2.351 | 0 | 0 | 3.122 | 3.122 |
| Minority interests | 17.607 | 0 | 0 | 0 | -240 | 4.100 | 21.467 |
| Total Shareholders' Equity | 163.002 | 0 | 0 | 0 | 45.796 | 22.149 | 230.947 |

Fine Comunicato n.2358-118

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