

Informazione Regolamentata n. 2358-22-2023	Data/Ora Ricezione 21 Marzo 2023 18:04:15	Euronext Star Milan
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Societa' : SECO  
Identificativo : 173835  
Informazione  
Regolamentata  
Nome utilizzatore : SECON03 - -  
Tipologia : 1.1; 2.2  
Data/Ora Ricezione : 21 Marzo 2023 18:04:15  
Data/Ora Inizio : 21 Marzo 2023 18:04:16  
Diffusione presunta  
Oggetto : Board of Directors has approved the  
Consolidated Annual Report at December  
31, 2022

*Testo del comunicato*

Vedi allegato.



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## PRESS RELEASE

# Board of Directors has approved the Consolidated Annual Report at December 31, 2022

- Net sales at €200.9M in 2022, +79% vs. 2021; organic growth at 43%
- Gross margin at €94.3M in 2022 (47% of Net sales), +€41.2M (+78%) vs. 2021
- Adjusted EBITDA at €44.0M in 2022 (22% of Net sales), +€18.7M (+74%) vs. 2021
- Adjusted Net income at €20.5M in 2022 (10% of Net sales), +€8.9M (+77%) vs. 2021
- €18.5M generated by the CLEA business (9% of Net sales) in 2022

Arezzo, March 21, 2023 – 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, 2022, which will be submitted for approval to the Shareholders’ Meeting, called for April 27, 2023.

In 2022, SECO’s growth trend has continued, with an increase in net sales across all the main geographical areas (€200.9M, +79% vs. 2021), an Adjusted EBITDA equal to €44.0M and an Adjusted Net income equal to €20.5M, growing by 74% and 77%, respectively, compared to the previous year.

**Massimo Mauri, CEO of the Group**, commented: “2022 has been a strong growth year, achieved despite a context complicated by component shortages. The results show how SECO has built a business model that is resilient to external shocks. The digitalization process has only just started, laying its foundations on a secular trend, and the use of artificial intelligence will trigger a digital revolution in the coming years. I believe that SECO is very well positioned to seize the enormous growth opportunities that the sector will offer in the near future”.

### **SECO’s consolidated results in the period**

**Net sales** rise from €112.3M at 31.12.21 to €200.9M at 31.12.22, increasing by €88.6M (+78.9%). Organic growth is at 43%, while like-for-like growth is at 37%. Such increase is related to a significant growth of the sales volumes in all the main geographical areas served by SECO (EMEA, USA and APAC).



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During the year, the edge computing business contributed to consolidated turnover with revenue at €182.4M, growing by 69% compared to the previous year, thanks to an expansion of edge systems sales in several sectors, including Industrial, Fitness, Vending and Medical.

At the same time, the spread of CLEA, the IoT-AI software platform officially launched in March 2021, continued: turnover generated by the CLEA business amounted to €18.5M (9% of the Net sales) in 2022, increasing by 317% compared to the previous year.

**Gross margin**<sup>1</sup> goes from €53.1M for the year 2021 (47.3% of the corresponding revenue) to €94.3M as of December 31, 2022 (46.9% of the corresponding revenue), increasing by €41.2M (+77.6%). This trend is essentially linked to the significant expansion of both the edge computing and CLEA businesses, both growing organically and thanks to the contribution of the companies acquired in 2021. The incidence on revenue, substantially in line with 2021, is the result of some price increase actions taken by SECO during the year which, together with the higher contribution of the CLEA business on the total turnover mix, 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.

**Adjusted EBITDA** goes from €25.3M as of December 31, 2021 (22.5% of the corresponding revenue) to €44.0M as of December 31, 2022 (21.9% of the corresponding revenue), increasing by €18.7M (+74.0%). This evolution is mainly due to the expansion of the business volume observed during the year, which generated a higher OPEX absorption allowing to keep a substantial stability in terms of profitability.

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. €3.3M overall in 2022, mainly including the actuarial (non-monetary) value of the three-year stock option plan attributed to some employees of the Group (ca. €2.1M) and some non-recurring costs linked to extraordinary transactions carried out by SECO during the reporting period (ca. €1.6M).

Gross of the above-mentioned adjustments, the EBITDA rises from €18.1M as of December 31, 2021 to €40.7M as of December 31, 2022, increasing by 125.1%.

**Adjusted EBIT**<sup>2</sup> goes from €16.8M as of December 31, 2021 (14.9% of the corresponding revenue) to €28.0M as of December 31, 2022 (13.9% of the corresponding revenue), increasing by +67.2% as a result of the aforementioned dynamics.

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<sup>1</sup> *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.

<sup>2</sup> *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, and the amortization deriving from the Purchase Price Allocation related to the acquisition of the Garz & Fricke Group and the contribution in kind by Camozzi Digital S.r.l..



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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 €9.5M as of December 31, 2021 to €21.6M as of December 31, 2022, growing by 127.0%.

**Adjusted Net income**<sup>3</sup> goes from €11.5M in 2021 (10.3% of the corresponding revenue) to €20.5M as of December 31, 2022 (10.2% of the corresponding revenue), increasing by 77.5%.

In addition to the previously illustrated dynamics, financial expenses were €3.9M higher compared to the previous year, 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 €6.5M as of December 31, 2021 to €14.6M as of December 31, 2022, increasing by 124%.

**Adjusted net financial debt** goes from a €97.5M net debt as of December 31, 2021 to a net debt of €118.8M as of December 31, 2022.

The change of €21.3M observed during the period is mainly linked to the significant increase of the inventory, which grew by ca. €22M in the year, aimed at sustaining the continued growth of the business and, in particular during the first months of the year, at maximizing the quantity of components available for SECO in a context heavily impacted by the shortage, thus ensuring the continuity of deliveries to its customers. Nevertheless, the level of inventories decreased by €6.7M in the fourth quarter of 2022.

To calculate the adjusted net financial debt, 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 (€7.8M as of December 31, 2022), and the VAT credit (€2.2M as of December 31, 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 €109.5M net debt as of December 31, 2021 to a net debt of €128.8M as of December 31, 2022.

### **SECO outlook on the status of the business**

In the first months of 2023, the main key performance indicators monitored by the management (design wins, pipeline, order intake) show a positive trend resulting from a robust demand, suggesting that SECO's growth path can continue in the next quarters.

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<sup>3</sup> *Adjusted Net Income*: corresponds to the result of the period gross of the effects of non-recurring items, transactions that the directors consider as not related to the Group's operating performance, and the amortization deriving from the Purchase Price Allocation related to the acquisition of the Garz & Fricke Group and the contribution in kind by Camozzi Digital S.r.l., considered taking into account an estimated tax effect based on a 24% tax rate (IRES tax rate).



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In 2023, an expansion of the CLEA business, SECO's IoT-AI platform, is expected following the increasing customer interest in collecting and analysing the data from on-field devices in real-time. A further development and evolution of the business model is expected from the recent partnership agreements with Axelera and Google Cloud. The launch of the CLEA App Store is scheduled in April 2023.

Although the abovementioned indicators contribute to outline a positive outlook, SECO considers it important to continue to closely monitor the evolution of the market in light of the scenario complicated by a challenging macroeconomic context.

### **Russia - Ukraine conflict**

The interruption of business relationships with the Russian market has not been significant and such suspension is not considered to have a significant impact on the Group's future sales performance, given the negligible incidence on the overall turnover: in fact, already in 2021 the business volume recorded from customers based in the territories of the Russian Federation and Ukraine was equal to €1.8M and €0.1M, respectively, accounting for 2% of total turnover.

### **Conference call**

The results as of December 31, 2022 will be illustrated tomorrow, March 22, 2023, 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/tZAlfuyppzMvH9AyRtxB\\_stMAZCcSSLQLtuh](https://b1c-co-uk.zoom.us/meeting/register/tZAlfuyppzMvH9AyRtxB_stMAZCcSSLQLtuh)

### **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.



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### **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 5,830,886, to the extraordinary reserve.

### **Additional Board of Directors resolutions**

The Board of Directors which met today has also approved the following documents:

- Consolidated Non-Financial Declaration for the year 2022;
- Report on the Corporate Governance and Ownership structure pursuant to Article 123-bis of Legislative Decree No. 58/1998;
- Report on the remuneration policy and the remuneration paid pursuant to Article 123-ter, paragraphs 3-bis and 6 of Legislative Decree 58/1998.

In addition, inter alia, some further proposals of resolution to be submitted to the Ordinary Shareholders' meeting, that will be called for April 27, 2023, have been approved. In particular, the Shareholders' meeting will be asked to resolve, besides the aforementioned Report on the remuneration policy and the remuneration paid, on:

- the appointment as director of SECO S.p.A. of Valentina Montanari, already co-opted by the Board of Directors on December 22, 2022;
- the amendment of the Company's directors' compensation, pursuant to art. 2389 of the Italian civil code, considering the significant growth in terms of dimensions, structure and organizational complexity achieved by the Group;
- the renewal of the authorization to the purchase and disposal of treasury shares, following the withdrawal of the last resolution adopted by the aforementioned Shareholders' Meeting on April 27, 2022. With regards to this, it is specified that the proposal aims at providing the Company with a useful strategic investment opportunity, also taking 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



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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 Explanatory Report on the treasury share buyback program that will be made available to the Shareholders according to the terms outlined by the existing regulation.

It is specified that as of today the Company holds n. 1,053,334 treasury shares, corresponding to 0.9% of the share capital.

The 2022 financial report and the notice of call of the Shareholders' Meeting will be made available to the public in accordance with the provisions of law on the Company's website ([www.seco.com](http://www.seco.com), section "Investor Relations"), as well as on the authorised storage device "eMarket STORAGE" on the website [www.emarketstorage.com](http://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 will be made available on the Company's website ([www.seco.com](http://www.seco.com), section "Investor Relations" > "Corporate Governance"), as well as on the authorised storage device "eMarket STORAGE" on the website [www.emarketstorage.com](http://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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### 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 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: <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

(in Euro thousands)	31/12/2022	31/12/2021
Property, Plants and Equipments	17.095	16.797
Intangible Assets	102.044	56.367
Right of Use	8.986	9.895
Goodwill	165.508	148.484
Non-current financial assets	17.431	1.801
Deferred tax assets	2.516	2.252
Other non-current assets	1.406	834
<b>Total non-current assets</b>	<b>314.985</b>	<b>236.430</b>
Inventories	83.277	61.685
Trade receivables	49.233	36.696
Current tax assets	4.696	6.373
Other receivables	3.450	3.491
Cash and Cash Equivalents	39.586	58.825
<b>Total current assets</b>	<b>180.243</b>	<b>167.070</b>
<b>TOTAL ASSETS</b>	<b>495.228</b>	<b>403.500</b>
Share capital	1.154	1.074
Reserves	168.543	118.981
Translation reserve	35.043	21.192
Net profit / (loss) of the year	11.039	4.149
<b>Total Group Shareholders' Equity</b>	<b>215.779</b>	<b>145.396</b>
Equity of Non-controlling interests	17.244	15.256
Net profit / (loss) of the year of Non-controlling interest	3.530	2.351
<b>Minority interests</b>	<b>20.774</b>	<b>17.607</b>
<b>Total Shareholders' Equity</b>	<b>236.553</b>	<b>163.003</b>
Employee Benefits	2.827	3.065
Provisions	1.402	729
Deferred tax liabilities	25.911	12.029
Non-current financial liabilities	129.213	138.083
Non-current lease liabilities	6.077	6.964
Other non-current liabilities	8	612
<b>Total non-current liabilities</b>	<b>165.438</b>	<b>161.482</b>
Current financial liabilities	21.675	11.501
Current part of N-C Financial Liabilities	9.705	10.197
Current lease liabilities	1.719	1.552
Trade payables	44.009	39.949
Other payables	12.257	12.294
Current tax liabilities	3.871	3.522
<b>Total current liabilities</b>	<b>93.236</b>	<b>79.015</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>495.228</b>	<b>403.500</b>



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### Consolidated Income Statement

(in Euro thousands)	31/12/2022	31/12/2021
Net Sales	200.906	112.293
Other Revenues	4.371	4.045
Consumption Costs	(128.982)	(71.820)
Changes in Inventories	22.390	12.618
Costs for services	(18.360)	(12.757)
Personnel costs	(34.882)	(23.466)
Depreciation and amortization	(18.653)	(9.151)
Accruals and Provisions	(54)	(56)
Other Operating Costs	(5.116)	(2.181)
<b>Operating Profit</b>	<b>21.620</b>	<b>9.525</b>
Financial income	315	51
Financial costs	(5.266)	(1.397)
Exchange gains/losses	395	(611)
<b>Profit / (loss) before tax</b>	<b>17.064</b>	<b>7.568</b>
Income taxes	(2.494)	(1.068)
<b>Profit / (loss) for the year</b>	<b>14.570</b>	<b>6.500</b>
Minorities Profit / (loss) for the year	3.530	2.351
<b>Group Profit / (loss) for the year</b>	<b>11.039</b>	<b>4.149</b>
Earning per Share	0,10	0,06
Diluted Earning per Share	0,09	0,06

### Consolidated Statement of Comprehensive Income

(in Euro thousands)	31/12/2022	31/12/2021
<b>Net profit for the year</b>	<b>14.570</b>	<b>6.500</b>
<b>Other comprehensive income/(expense) which may be subsequently reclassified to the income statement:</b>	<b>12.409</b>	<b>748</b>
Translation differences	(50)	1.510
Net gain/(loss) on Cash Flow Hedge	12.458	(762)
<b>Other comprehensive income/(expense) which may not be subsequently reclassified to the income statement:</b>	<b>375</b>	<b>(61)</b>
Discounting employee benefits	522	(73)
Tax effect discounting employee benefits	(148)	12
<b>Total comprehensive income</b>	<b>12.783</b>	<b>687</b>
Non-controlling interests	3.407	3.122
Parent company shareholders	23.947	4.066
<b>Total comprehensive income</b>	<b>27.353</b>	<b>7.188</b>



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### Consolidated Cash Flow Statement

(in Euro thousands)	31/12/2022	31/12/2021
<b>Net profit for the year</b>	<b>14.570</b>	<b>6.500</b>
Income taxes	2.494	1.068
Amortization & depreciation	18.653	9.151
Provisions for risks, receivables and inventories	0	0
Change in employee benefits	137	31
Financial income/(charges)	4.951	1.347
Exchange gains/(losses)	(395)	611
Costs for share-based payments	2.115	3.182
<b>Cash flow before working capital changes</b>	<b>42.525</b>	<b>21.890</b>
Change in trade receivables	(12.817)	(15.412)
Change in inventories	(21.592)	(15.945)
Change in trade payables	4.988	21.495
Other changes in tax receivables and payables	(354)	5.420
Other changes in current receivables and payables	372	(1.524)
Other changes in non-current receivables and payables	(2.624)	(381)
Use of provisions for risks, receivables and inventories	673	0
Interest received	315	51
Interest paid	(4.331)	(936)
Exchange gains/(losses) realized	(280)	559
Income taxes paid	(113)	(1.604)
<b>Cash flow from operating activities (A)</b>	<b>6.762</b>	<b>13.613</b>
(Investments) /Disposals of property, plant and equipment	(3.976)	(2.046)
(Investments) /Disposals of intangible assets	(14.295)	(11.607)
(Investments) /Disposals of financial assets	(153)	(1.556)
Acquisition of business units net of cash and cash equivalents	0	(5.805)
Acquisition of subsidiaries net of cash and cash equivalents	0	(122.795)
<b>Cash flow from investing activities (B)</b>	<b>(18.424)</b>	<b>(143.809)</b>
New loan drawdowns	0	124.300
(Repayment) of bank loans	(9.362)	(43.080)
Change in current financial liabilities	10.002	815
Repayment lease financial liabilities	(1.418)	(752)
Dividends paid	0	0
Paid-in capital increase	(745)	87.227
Acquisition of treasury shares	(5.311)	(3.690)
Acquisition of shares from minorities	(230)	(100)
<b>Cash flows from financing activities (C)</b>	<b>(7.064)</b>	<b>164.720</b>
<b>Increase (decrease) in cash and cash equivalents (A+B+C)</b>	<b>(18.726)</b>	<b>34.524</b>
<b>Cash &amp; cash equivalents at beginning of the year</b>	<b>58.825</b>	<b>23.678</b>
Translation differences	(512)	623
<b>Cash &amp; cash equivalents at end of the year</b>	<b>39.586</b>	<b>58.825</b>



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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)	31/12/2022
Share Capital	1.074	80	0	0	0	0	1.154
Legal reserve	289	0	0	0	0	0	289
Share premium reserve	118.981	0	0	0	49.562	0	168.543
Other reserves	20.963	0	4.149	0	(3.206)	12.458	34.365
Translation reserve	457	0	0	0	0	88	545
FTA reserve	(371)	0	0	0	0	0	(371)
Discounting of employee benefits	(146)	0	0	0	0	361	215
Group profit (loss)	4.149	0	(4.149)	0	0	11.039	11.039
<b>Group Shareholders' Equity</b>	<b>145.396</b>	<b>80</b>	<b>0</b>	<b>0</b>	<b>46.356</b>	<b>23.946</b>	<b>215.779</b>
Minority interests in shareholders funds	15.277	0	2.351	0	(240)	(138)	17.250
Discounting of employee benefits	(21)	0	0	0	0	14	(7)
Minority interests in profit (loss)	2.351	0	(2.351)	0	0	3.530	3.530
<b>Minority interests</b>	<b>17.607</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(240)</b>	<b>3.406</b>	<b>20.774</b>
<b>Total Shareholders' Equity</b>	<b>163.003</b>	<b>80</b>	<b>0</b>	<b>0</b>	<b>46.116</b>	<b>27.353</b>	<b>236.553</b>

Fine Comunicato n.2358-22

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