



Endless ways to the future

SECO: FY 2022 Results and Business update presentation

March 22, 2023

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Here today



Massimo Mauri
CEO



Lorenzo Mazzini
CFO

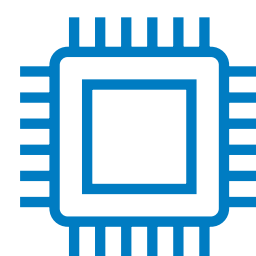
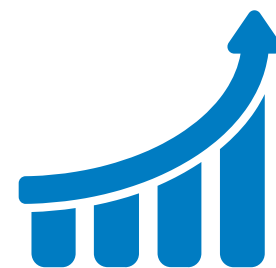


Marco Parisi
Head of Investor Relations

Key takeaways from 2022

1.

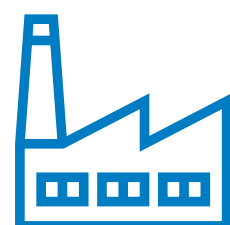
*Delivering execution
in a complex
scenario*



- **FY 2022:** Net sales at **€201m**, **+79%** vs. FY 2021 (**+43%** organic growth)
- Adj. EBITDA at **€44.0m** (**22%** of sales), **+74%** vs. FY 2021
- **Growth distributed** across **geographical areas** and **verticals**
- **Critical components stocking:** €22m invested during the year, a strategic decision to secure customer deliveries
- **€7m cash generation** in Q2-Q4 2022; **+0.4x improvement** in Adj. Net Debt / Adj. EBITDA ratio vs. FY 2021
- **Inventory level decreased** by **€6.7m** in Q4 2022

2.

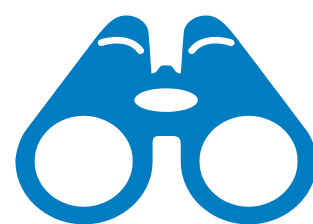
*Solid and resilient
business model*



- **GPM** incidence stable in FY 2022 vs. FY 2021, at **47%**, despite negative effect of PPV
- CLEA business at **€18.5m** in FY 2022 (**9%** of sales), **+317%** vs. FY 2021

3.

*Strong visibility on
2023-24*



- **Order backlog at €170m** at 28.02.23
- 2023-25 hardware **weighted pipeline at >€500m** as of February 2023
- Components' market is **gradually back to normal:** average lead times currently at around 27 weeks, seen further improving

FY 2022 financial highlights

FY21 → **FY22**

Net sales

€112.3m → €200.9m

- **+79% growth**, **+43%** organic growth in FY 2022 vs. FY 2021
- Edge computing business growing at **69%** in FY 2022 vs. FY 2021
- CLEA revenue at **€18.5m** in FY 2022 (vs. €4.4m in FY 2021)

Gross margin

€53.1m → €94.3m
47.3% → 46.9%

- Price increase actions adopted in previous quarters and positive impact from CLEA revenue have helped maintain gross profit stable vs. FY 2021 despite temporary effects of PPV

Adj. EBITDA

€25.3m → €44.0m
22.5% → 21.9%

- **+74% growth** in FY 2022 vs. FY 2021
- OPEX at **29%** of FY 2022 Net sales, vs. **34%** in FY 2021

Adj. Net Income

€11.5m → €20.5m
10.3% → 10.2%

- **+77% growth** in FY 2022 vs. FY 2021
- D&A: +€9.5m higher vs. FY 2021
- Financial expenses: +€3.9M higher vs. FY 2021, largely due to G&F acquisition financing

...% = % of Net sales

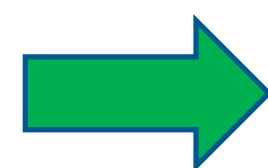
Net sales

€200.9m

FY 2022 Net sales

+€88.6m

FY 2022 vs. FY 2021



FY 2022 vs. FY 2021 growth

1.7x

Edge computing growth
(**1.3x** on a like-for-like basis)

4.2x

CLEA growth

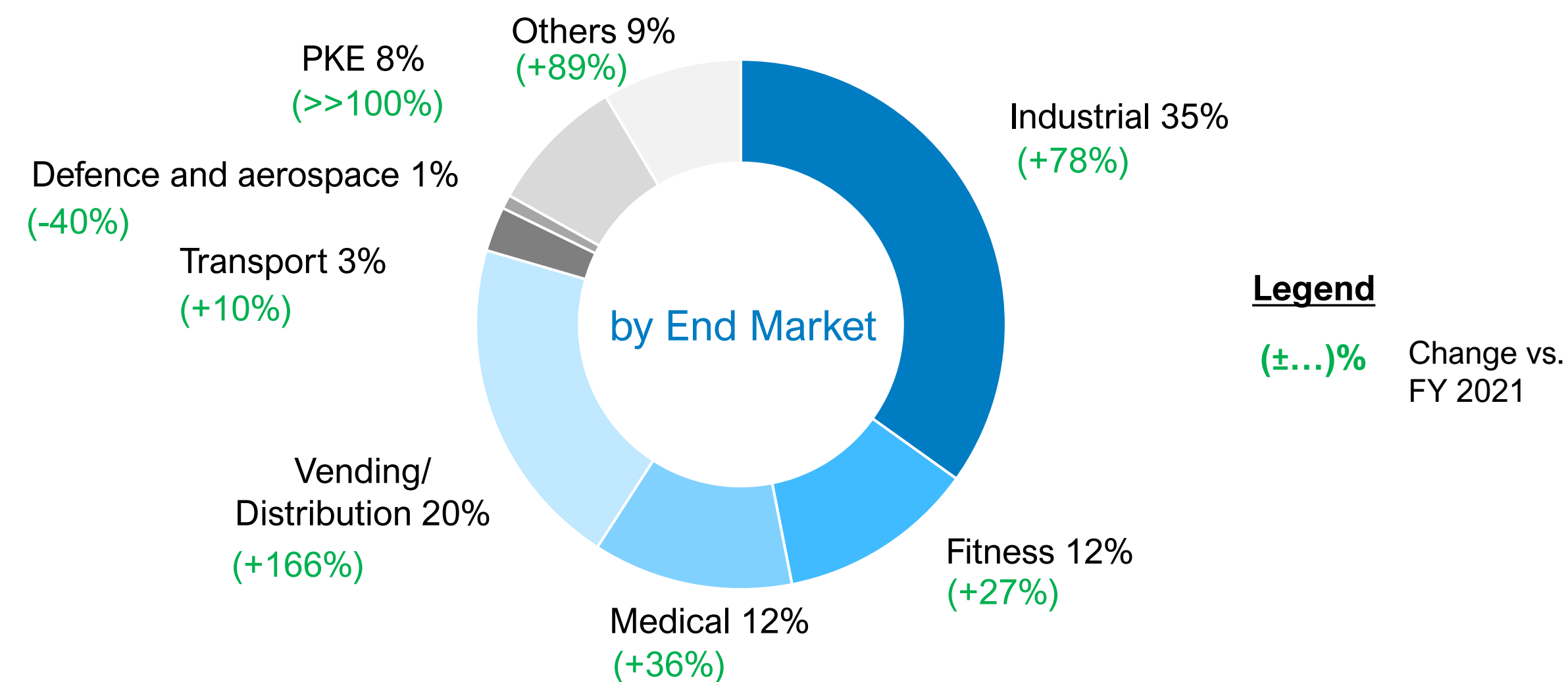
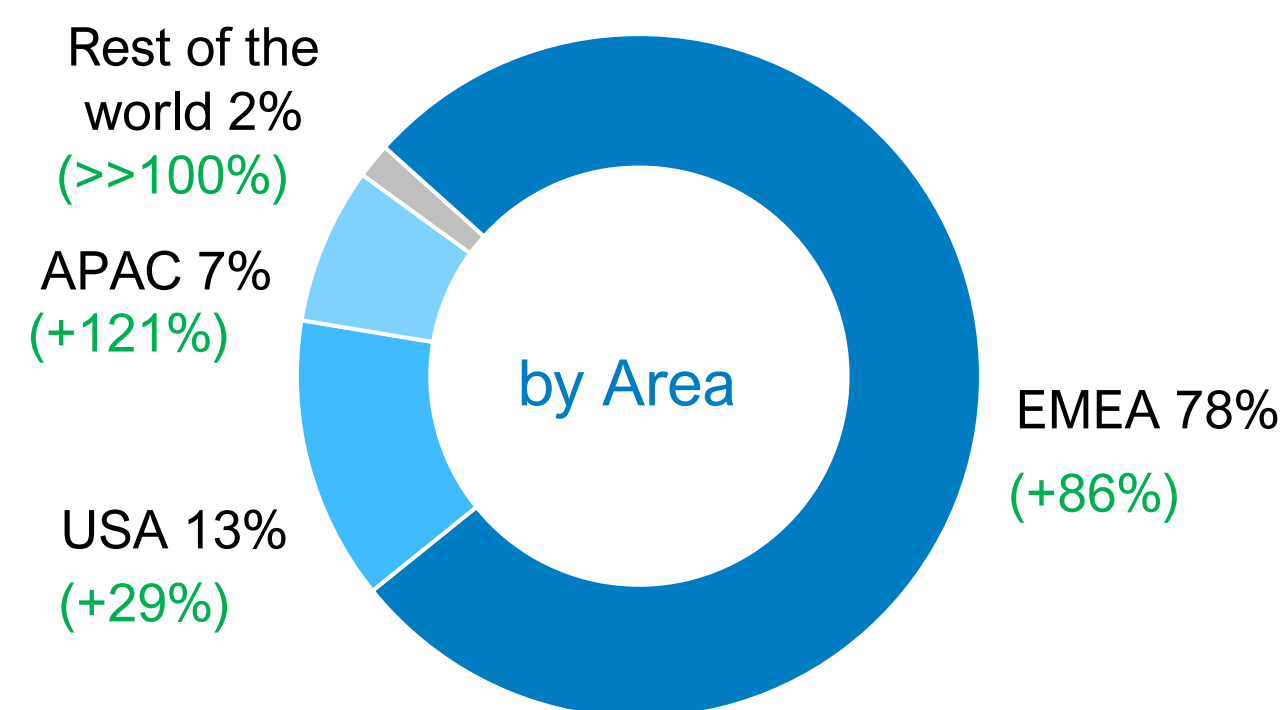
9% of
Net sales



€18.5m

FY 2022 CLEA
revenue

Net sales breakdown (FY 2022)



Legend
(±...)% Change vs. FY 2021

- FY 2022 Net sales growing by **+79%** vs. FY 2021 (**+43%** organic, **+37%** on a like-for-like basis)
- Edge computing business at **+69%** in FY 2022, largely thanks to a growth in the Industrial, Fitness, Medical, Vending industries

- CLEA business continuing its expansion trend, hitting **€18.5m** revenue in FY 2022 (**+317%** vs. FY 2021)
- EMEA, APAC, USA markets all showing growth trends

Adjusted EBITDA

€44.0m

FY 2022 Adj. EBITDA

+€18.7m

FY 2022 vs. FY 2021

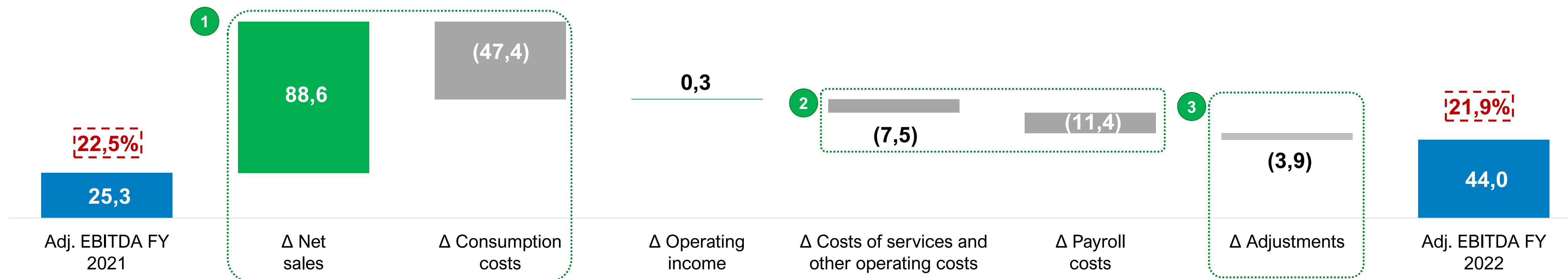
+74%

% growth vs. FY 2021

22%

of Net sales

Adjusted EBITDA bridge (€m)

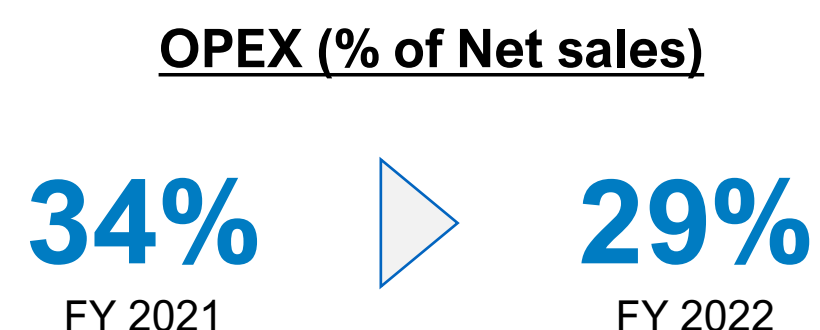


1 Gross margin effect

- +74% growth vs. FY 2021 mainly explained by **business expansion** in Edge computing and CLEA segments and **price increase** actions taken in past months becoming effective

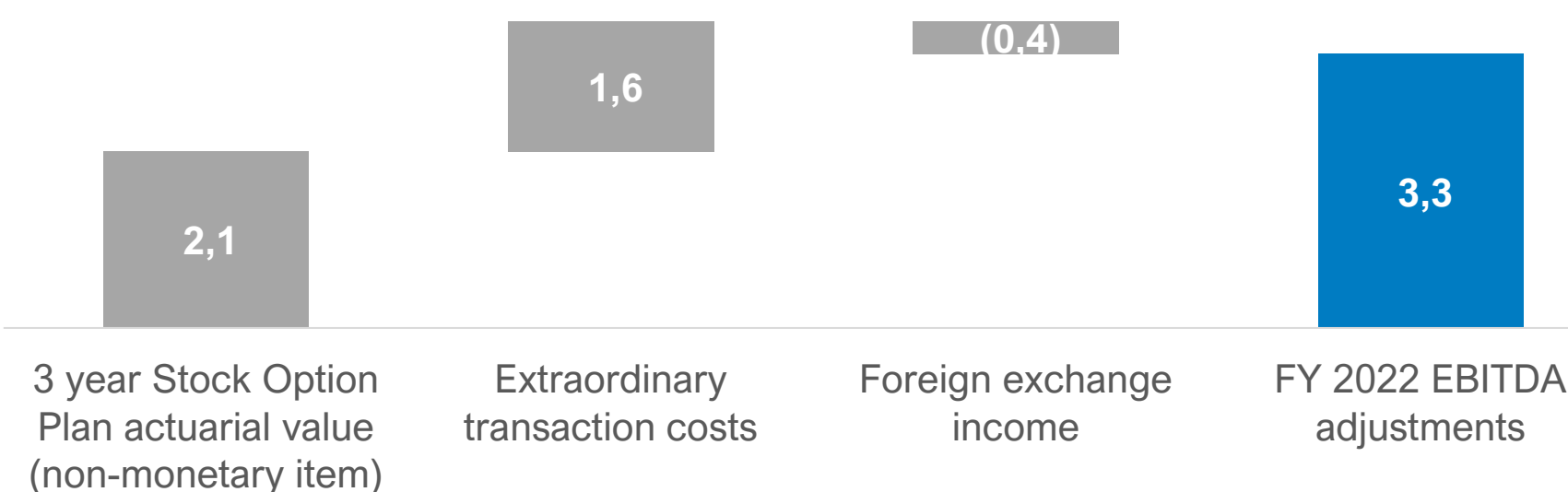
2 OPEX

- Business growth allowing for good **OPEX absorption**



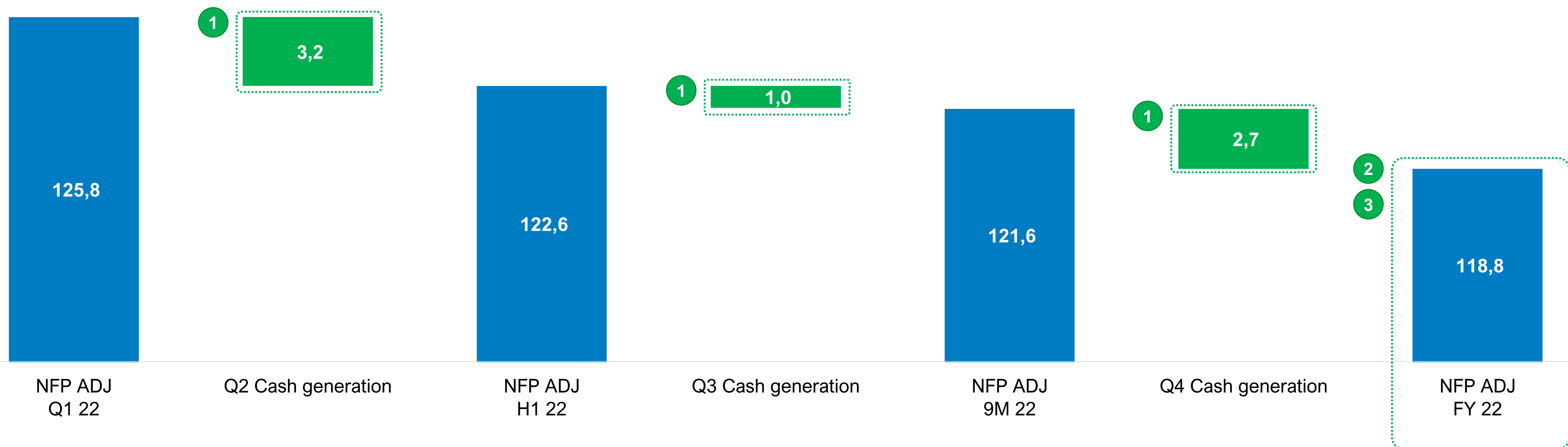
3 Adjustments

- FY 2022 EBITDA Adjustments



Adjusted Net financial position

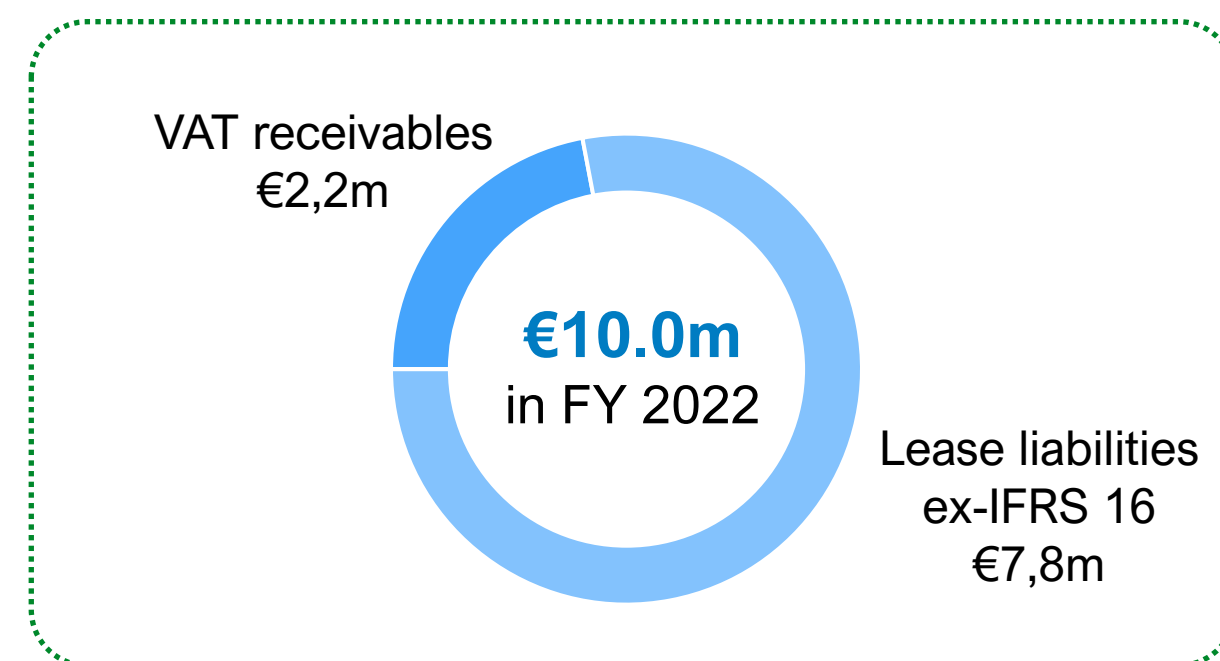
Adjusted Net debt bridge (€m)



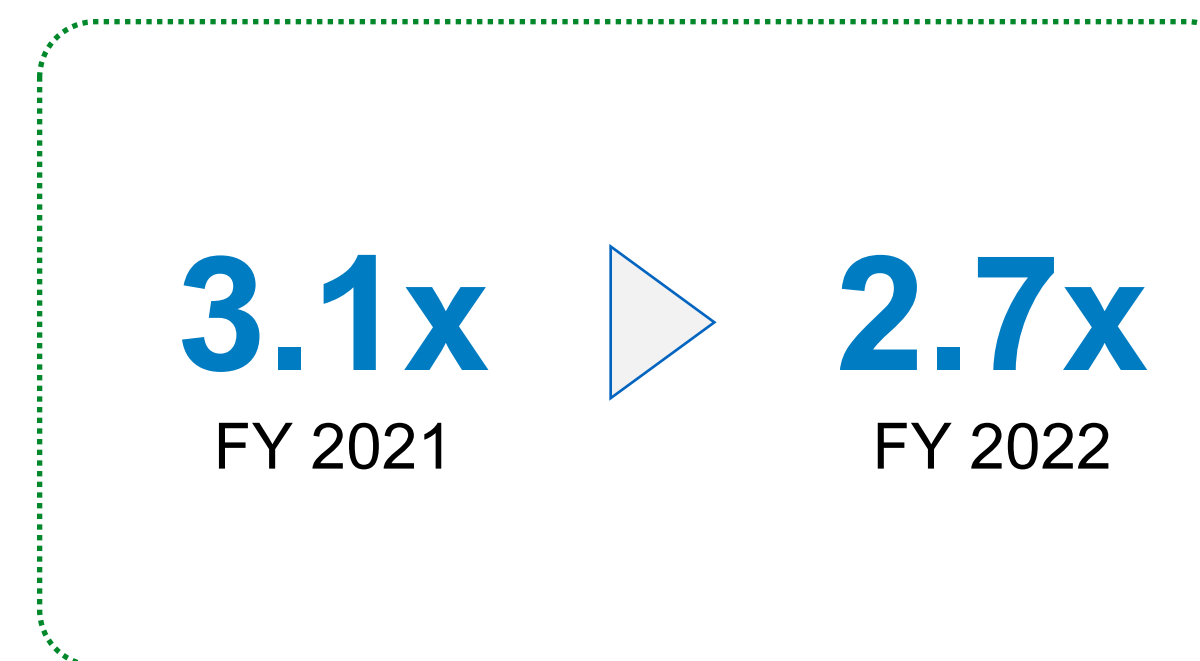
1 Cash generation



2 Net debt Adjustments



3 Leverage



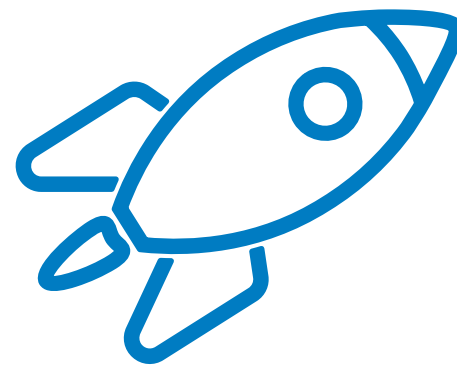


Endless ways to the future

Business update

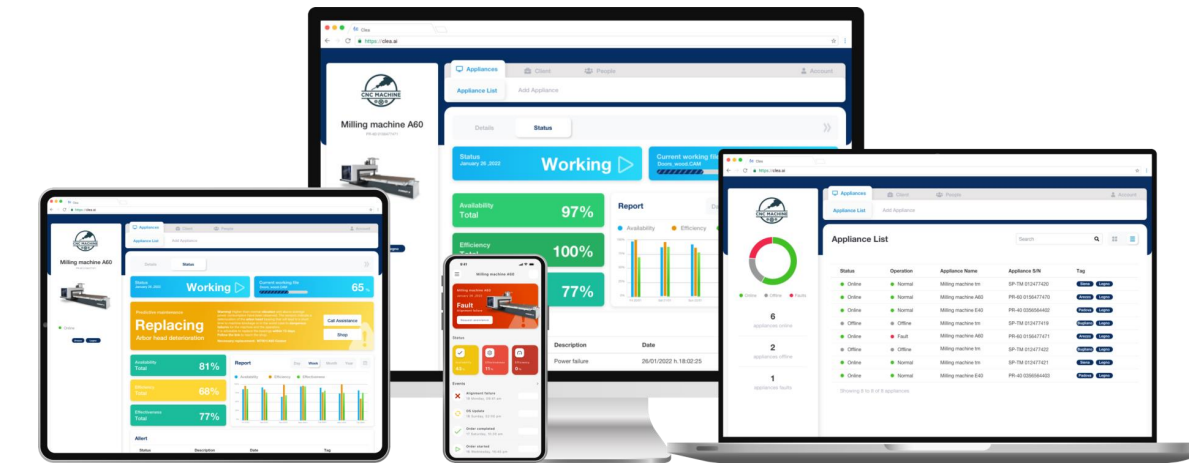
Business update

Growth path set to continue




- **+30% Net sales growth** expected in Q1 2023 vs. Q1 2022
- **Edge computing** solutions facing robust demand with several design wins already secured (mass production expected to start in 2023-25)
- **CLEA** expected to increase contribution on SECO Net sales, with recurring portion gaining share on total CLEA revenue

Business model evolution



- **Axelera** and **Google Cloud** partnerships further enriching SECO ecosystem
- **CLEA as an OS**: leverage on partners and system integrators to seize **pure platform** business opportunities
 - ➡ Reduced customization efforts, higher platform scalability
- **CLEA App Store** to be launched in April 2023


Bringing intelligence into our customers' devices

 Full system
R&D and design

 In-house
production

A SECO system at work...



 System
integration

 Natively compatible
with 



Smart fitness machines



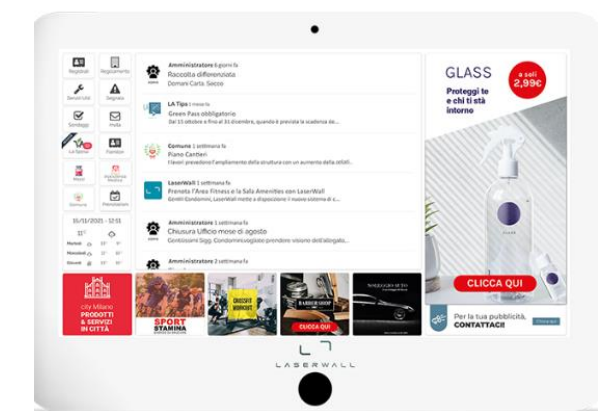
Industrial equipment



Medical devices



On-board passenger
information systems



Digital billboards



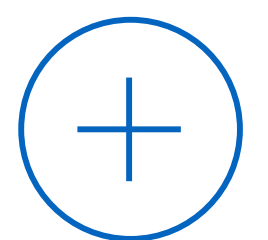
Coffee & Vending machines



Bowling scoring
equipment



Voting machines



...and many more...



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Axelera partnership

▶▶ High performance AI inference capabilities

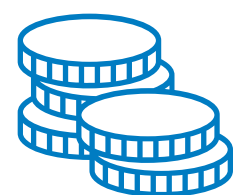


Accelerating computer vision at the edge

Development of a new SECO module based on Axelera's chip with high computation capabilities



Low latency enabling real-time **edge AI** processing



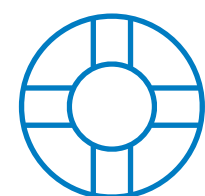
Cost effectiveness, reduced consumption vs. architectures based on cloud processing



CLEA enabling deployment of **AI-based models** from the cloud to the edge



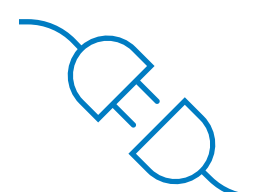
Google Cloud partnership



Business continuity ensured to **Google Cloud IoT Core users** following its dismissal announcement



CLEA + Google cloud services: standardized framework for developers to **accelerate time-to-market** of their products and services based on IoT-AI



Native integration between CLEA and Google Cloud AI services following

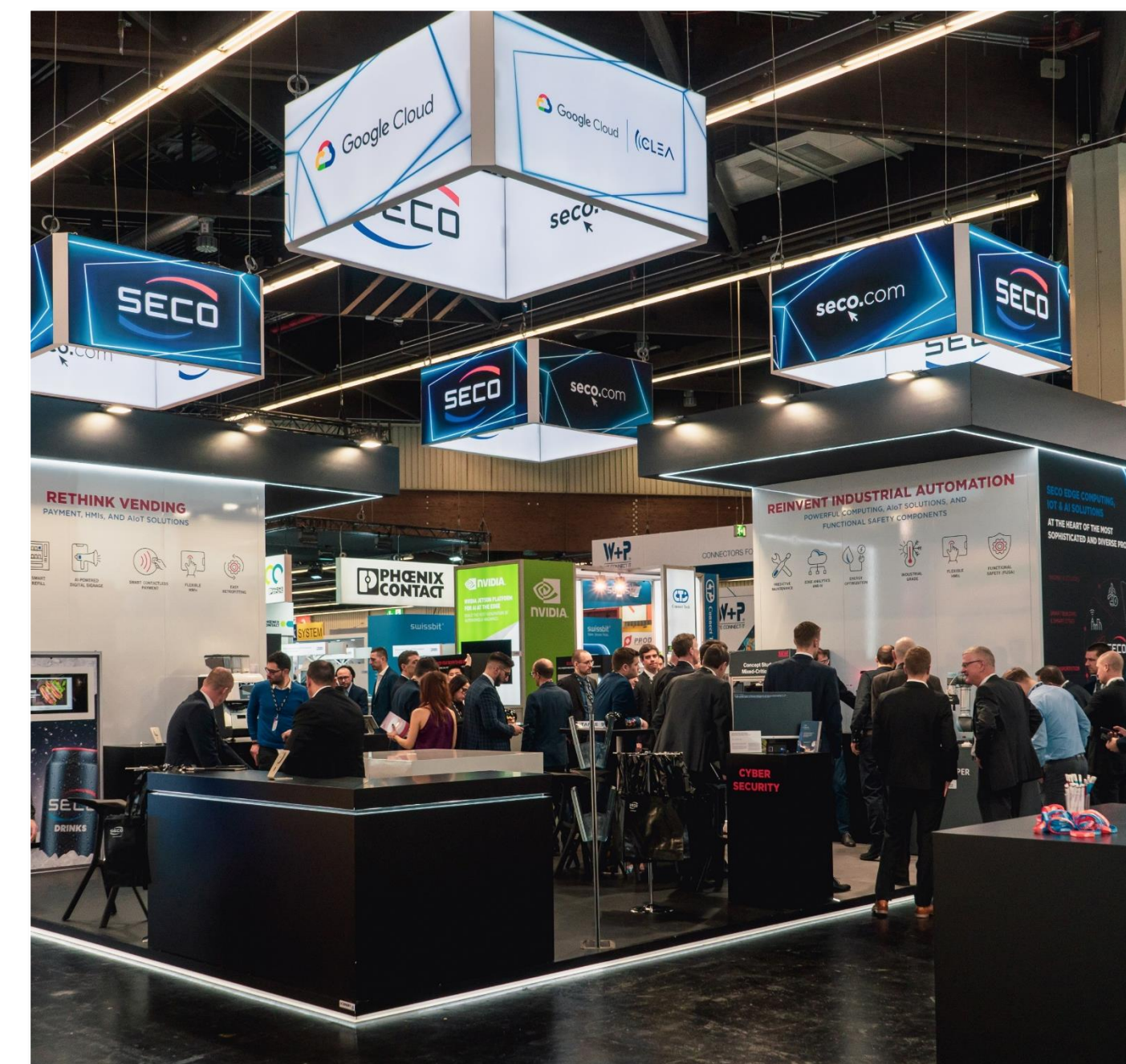


Co-operation between SECO and **Google Cloud's ecosystem** of partners



Enhancing digital transformation in the Industrial world

Enabling end users to launch value added services by integrating information from all their data sources



SECO booth at Embedded World 2023

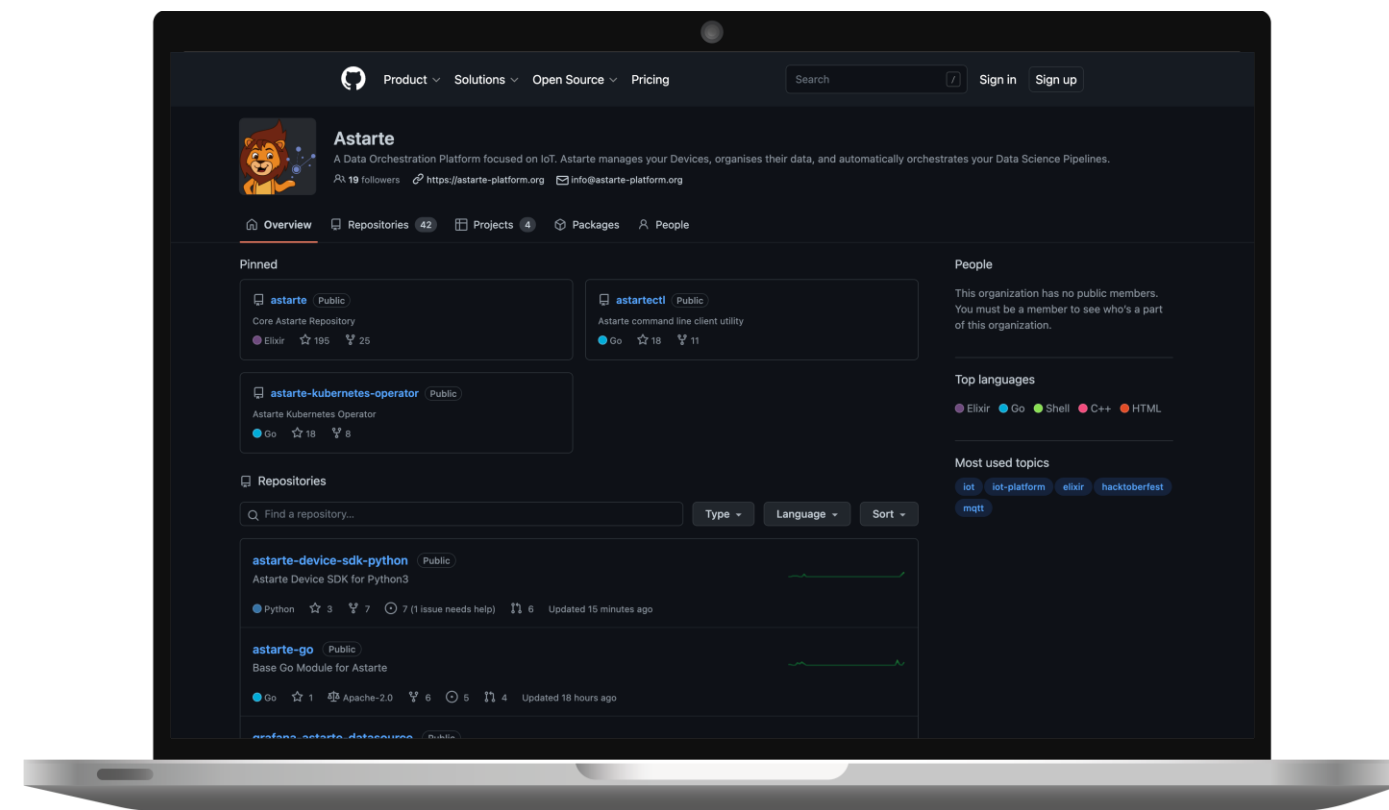


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How CLEA business model is transforming

Enhancing platform's scalability and recurring revenue generation

CLEA is an **Open Ecosystem** that allows customers to build and sell their own apps



Customers can also **let one of our System Integrator partners build it for them**



Or ask  to provide them with a **complete solution**

From the CLEA SDKs...

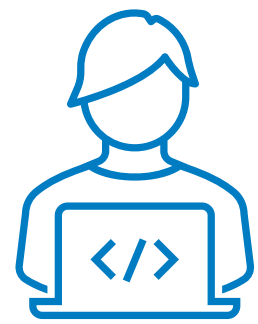
...to value added apps



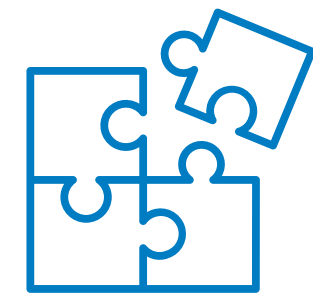
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CLEA App Store

Enabling the servitization of our customers' business models



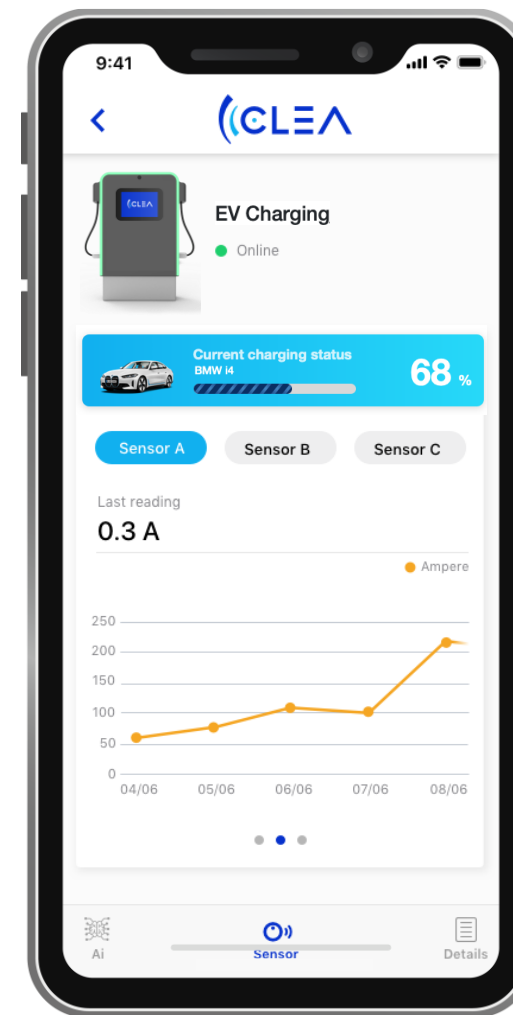
Customers to develop their own AI models to launch new **value-added services**



CLEA as the **technical infrastructure** to build **customers' private App Store**



Customers can **monetize their apps** and start **offering them as digital services** to their own customers





The power of AI at your fingertips

Geolocation and occupancy time

Plate recognition

Revenue prediction

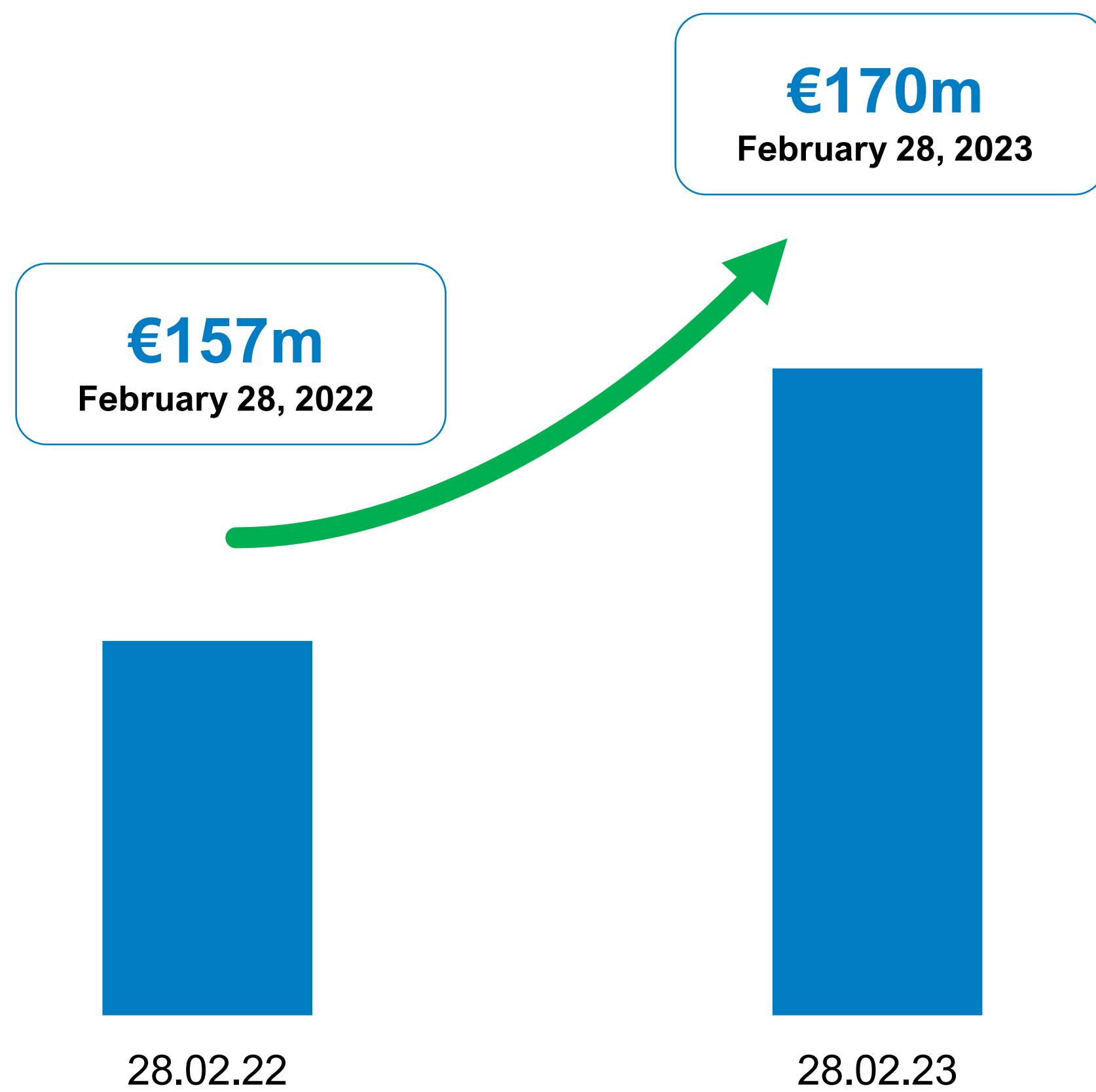
Targeted advertising services



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February '23 backlog and pipeline

Total Order backlog (€m)

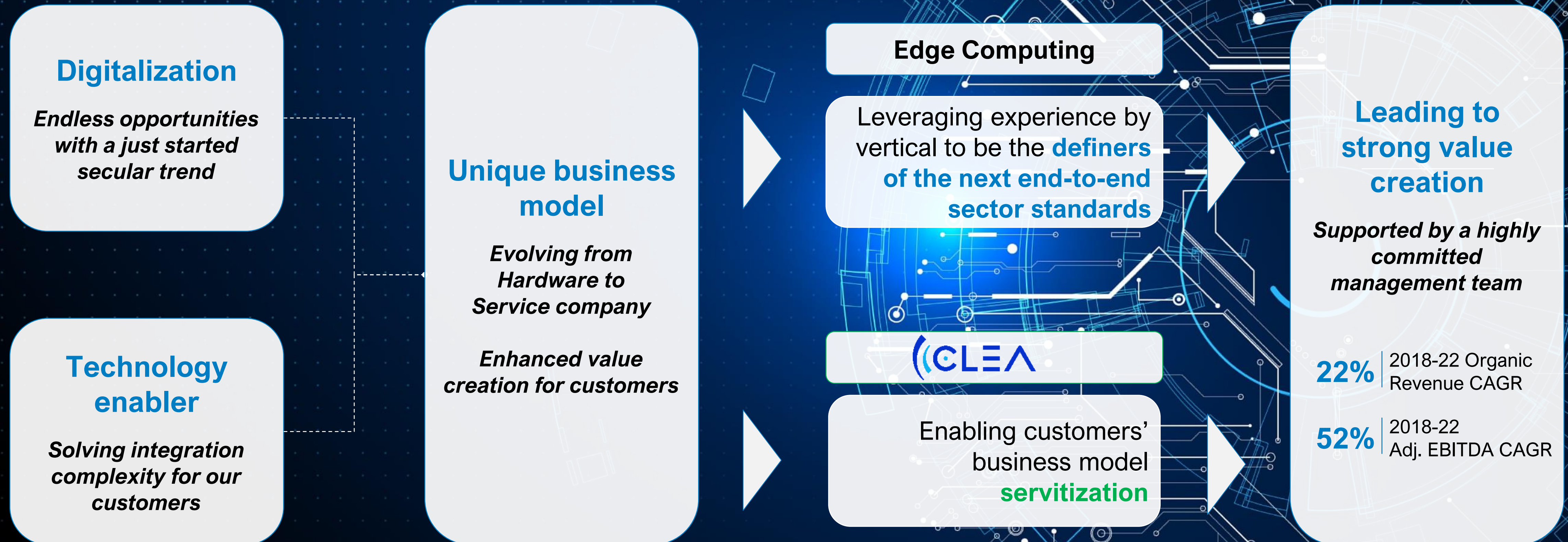


2023-25 weighted pipeline



Why invest in SECO?

Innovatively evolving our solutions to create a global leader in a new market





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Q & A



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ANNEX

SECO at a glance

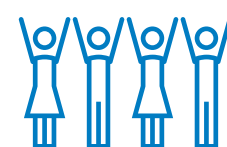
A worldwide spread center of excellence, with top-tier capabilities



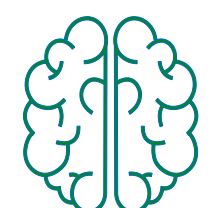
€201M
2022 FY revenue



>900k devices
manufactured every year



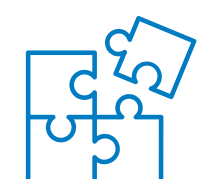
~ 900 people



~ 300 R&D people
of which ~180 in AI and software development



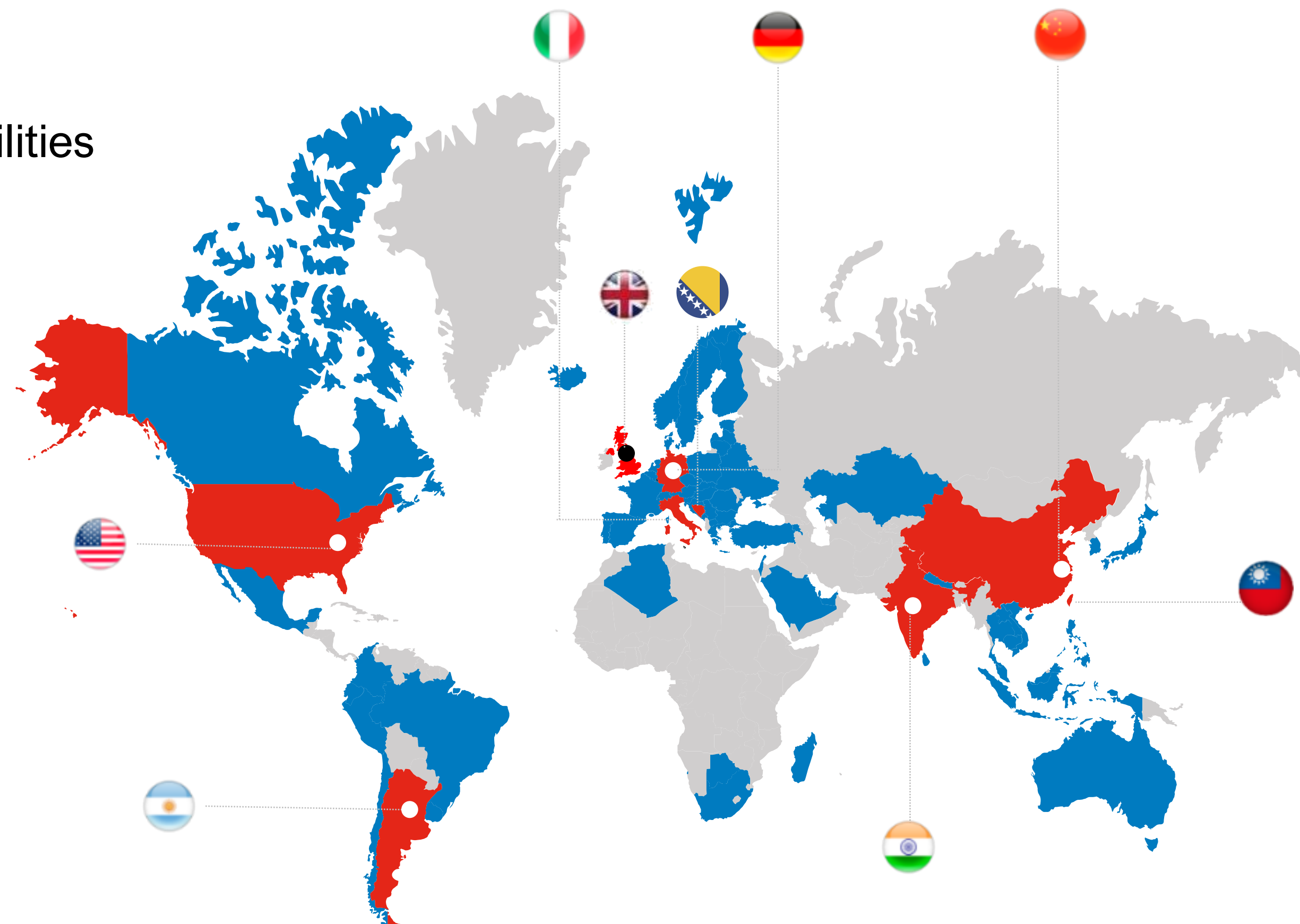
~ 8-10%
of revenue invested in R&D every year



10 R&D centers
5 production plants



9 countries



Commercial Presence **Direct Presence**

Our production plants

Arezzo



Hamburg



Hangzhou



Tregozzano



Wuppertal



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Financials overview

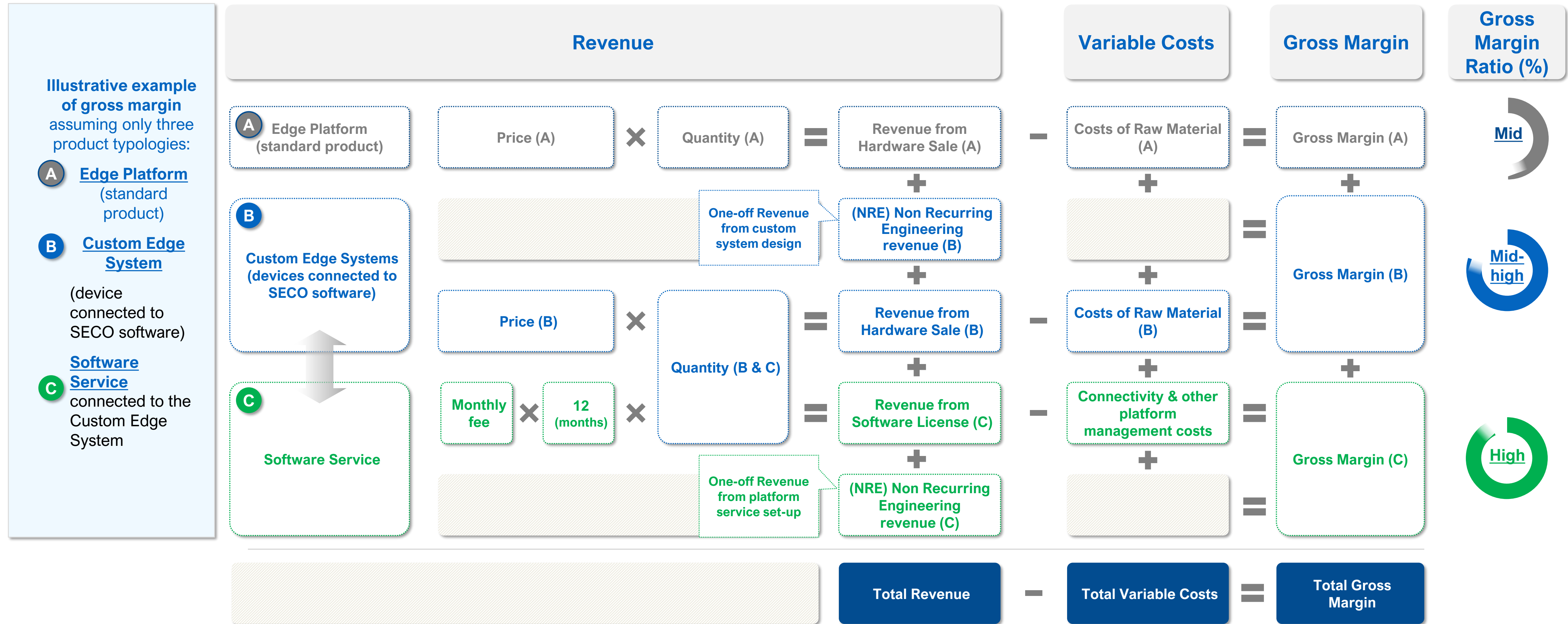
Income Statement

€mln	FY 2021	FY 2022
Net Sales	112,3	200,9
Consumption Costs	(59,2)	(106,6)
Gross Margin	53,1	94,3
<i>% on Net Sales</i>	<i>47,3%</i>	<i>46,9%</i>
Other revenues	4,0	4,4
Personnel costs	(23,5)	(34,9)
Other Opex	(15,0)	(23,5)
Exchange gains/losses	(0,6)	0,4
EBITDA	18,1	40,7
<i>% on Net Sales</i>	<i>16,1%</i>	<i>20,2%</i>
EBITDA ADJ	25,3	44,0
<i>% on Net Sales</i>	<i>22,5%</i>	<i>21,9%</i>
Depreciation	(9,2)	(18,7)
EBIT	9,5	21,6
<i>% on Net Sales</i>	<i>8,5%</i>	<i>10,8%</i>
Financial expenses	(1,3)	(5,0)
Tax	(1,1)	(2,5)
Net Income	6,5	14,6
<i>% on Net Sales</i>	<i>5,8%</i>	<i>7,3%</i>

Balance Sheet

€mln	FY 2021	FY 2022
Net Working Capital	52,5	80,5
Total Fixed Assets	233,3	311,1
Other non-current assets	3,1	3,9
Provisions and other non-current liabilities	(16,4)	(30,1)
Net Invested Capital	272,5	365,4
Net Financial Position	109,5	128,8
Net Financial Position ADJ.	97,5	118,8
Total Equity	163,0	236,6
Total Funds	272,5	365,4

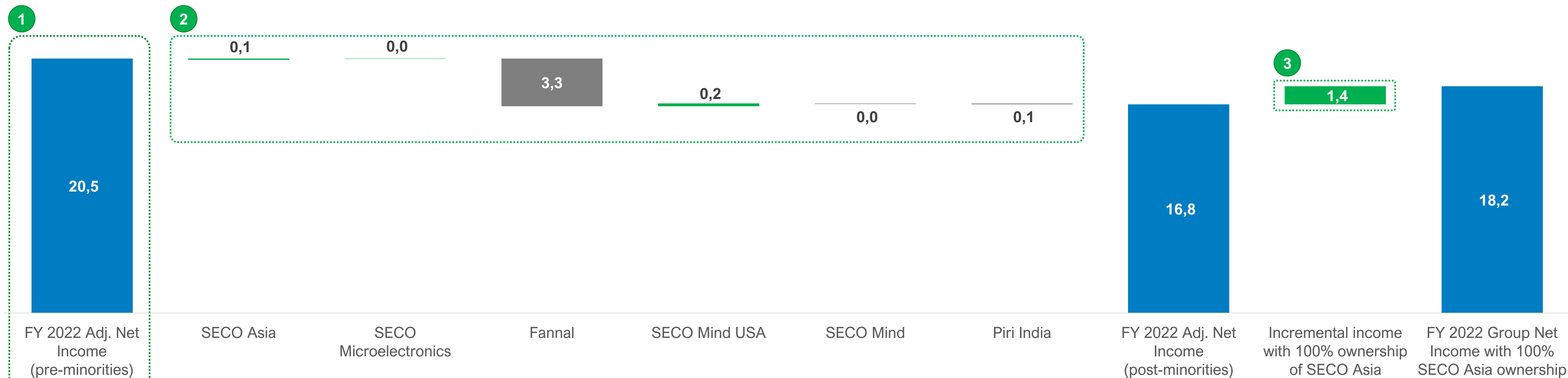
Revenue and cost model



Note: all other costs (service, personnel, other) are mostly fixed costs

Adjusted Net Income

Adjusted Net income (€m)



1 Adj. Net income

- D&A: +€9.5m higher vs. FY 2021
- Financial expenses: +€3.9M higher vs. FY 2021, largely due to G&F acquisition financing

2 Minority interests

- Minority stakes attributed to key people of some subsidiaries for incentivization purposes
- In FY 2022, most of minority interests concentrated into Fannal, in which SECO SpA holds a 28% share (= 51% * 55%) as illustrated below:



- Put/Call option systems in place for SECO to rise to 100% of all companies at single-digit EBITDA multiples

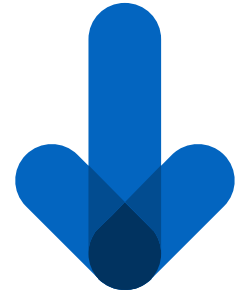
3 Effect of rising to 100% of SECO Asia

- Remaining 49% of SECO Asia, owned by Simest SpA, can be bought by SECO at the Simest SpA entry valuation (€3.4m)

→ €1.4m positive effect on post-minorities Net income after acquisition of SECO Asia minority share

Business model

High revenue visibility



Multi-year product life cycle (3-5, up to 10+ years)

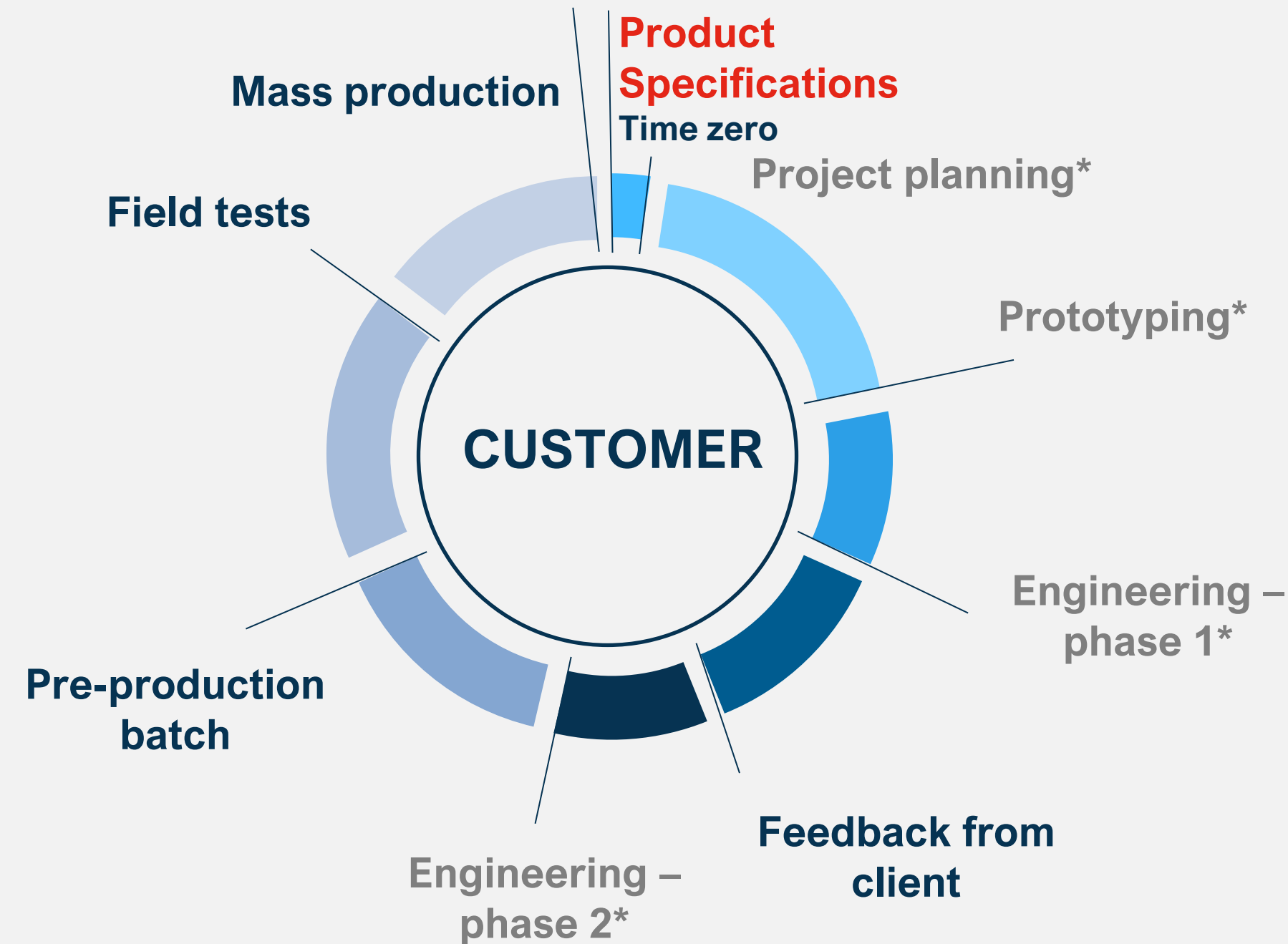
Order backlog coverage 6-7 months

Forecasts from customers up to 12 months rolling

Recent design wins will translate into revenue after 5/18 months depending on products' typology

Product development & production process overview

Time to revenue



Standard Products
5-7 months

Custom Products
12-18 months

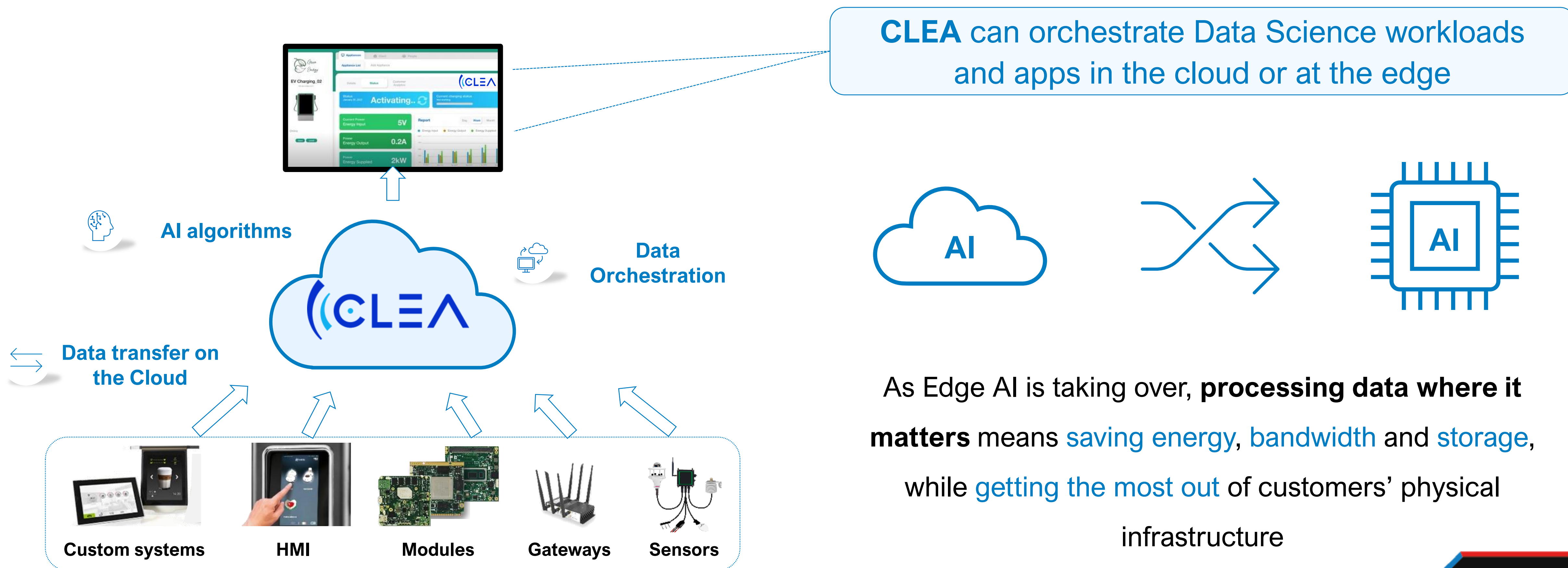
*Those production steps only refer to custom products



- **High success developing custom products** along with clients thanks to a rigorous planning of activities
- **Continuous interaction with clients** from design to manufacturing
- **Dedicated software services tailored on clients' needs** fully entrenched within product development and production process

The value of an end-to-end offering

All customers need to get the most out of their data

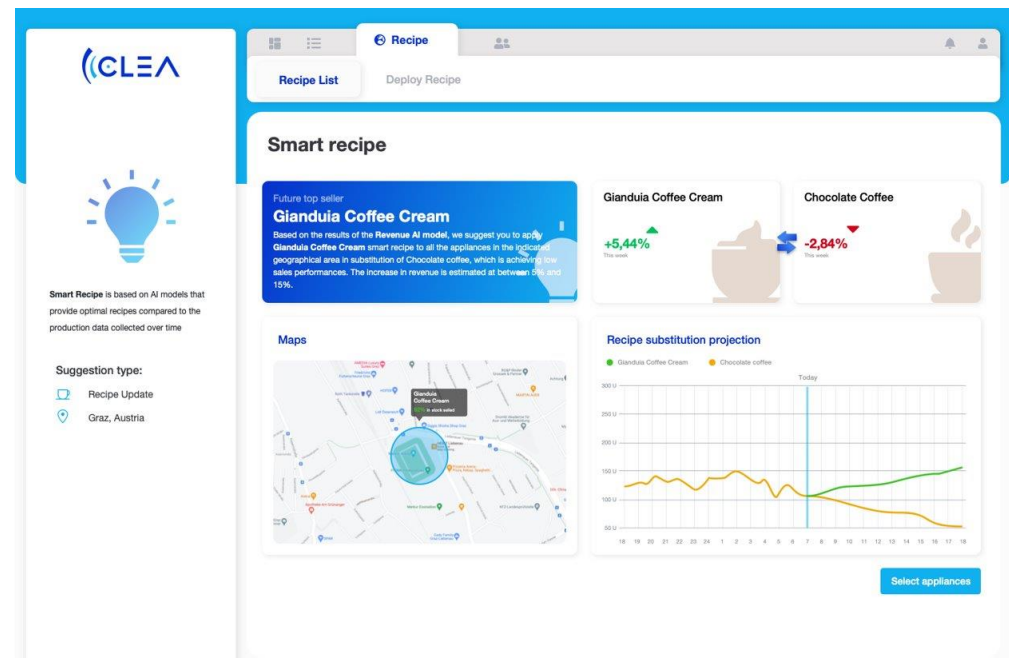


Vertical Applications of CLEA

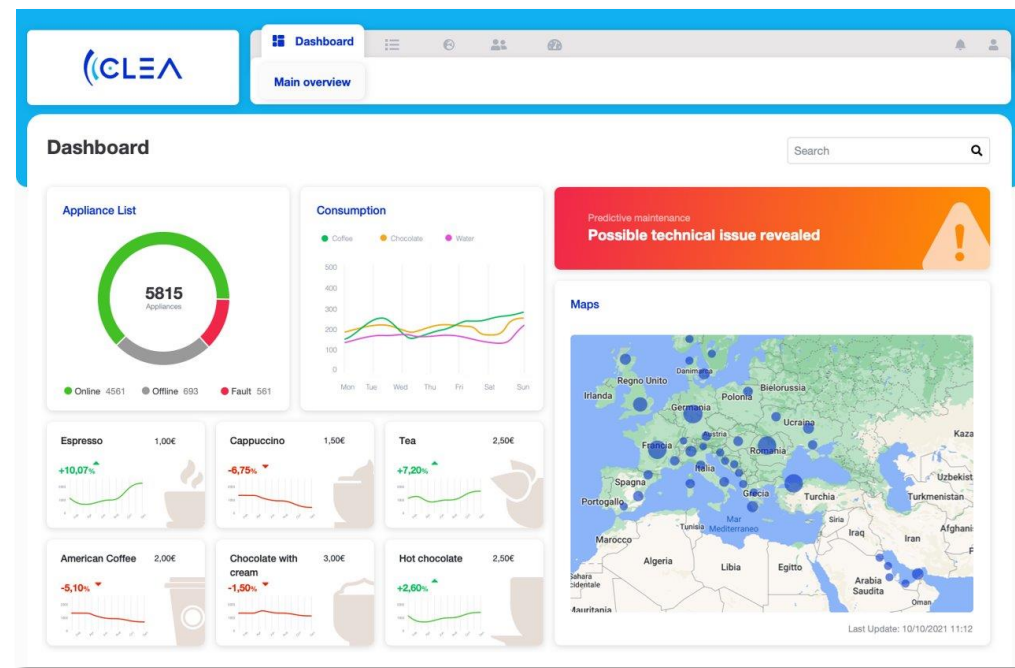
How customers can generate higher margins, recurring revenues, better differentiation



CLEA Vending Machine Apps



[Recipe Sales Trends Analysis App](#)

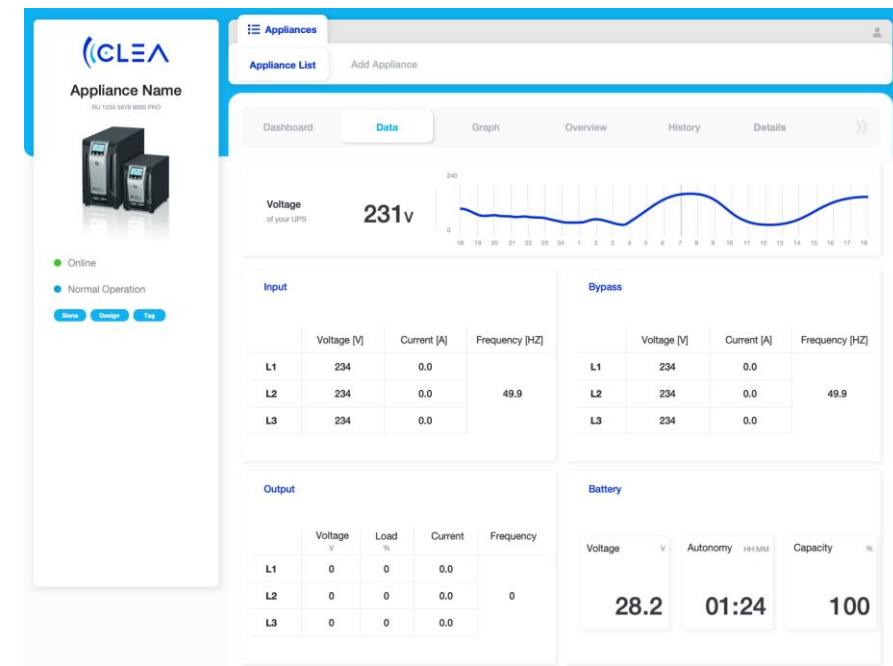


[Fault Detection & Machine Downtime Reduction](#)

[AI Smart Refill](#)

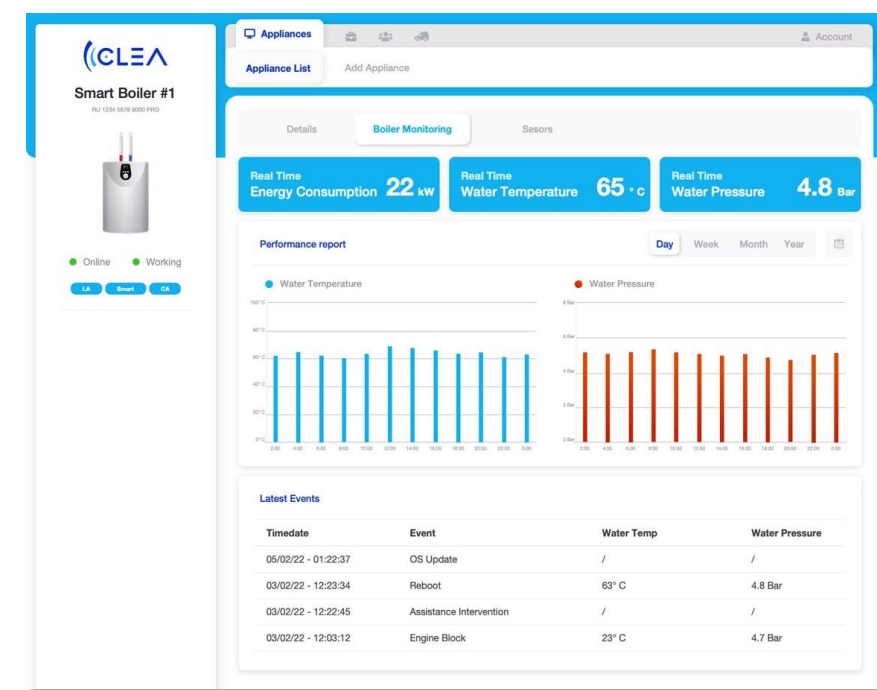
[Landing Page](#)

CLEA UPS App



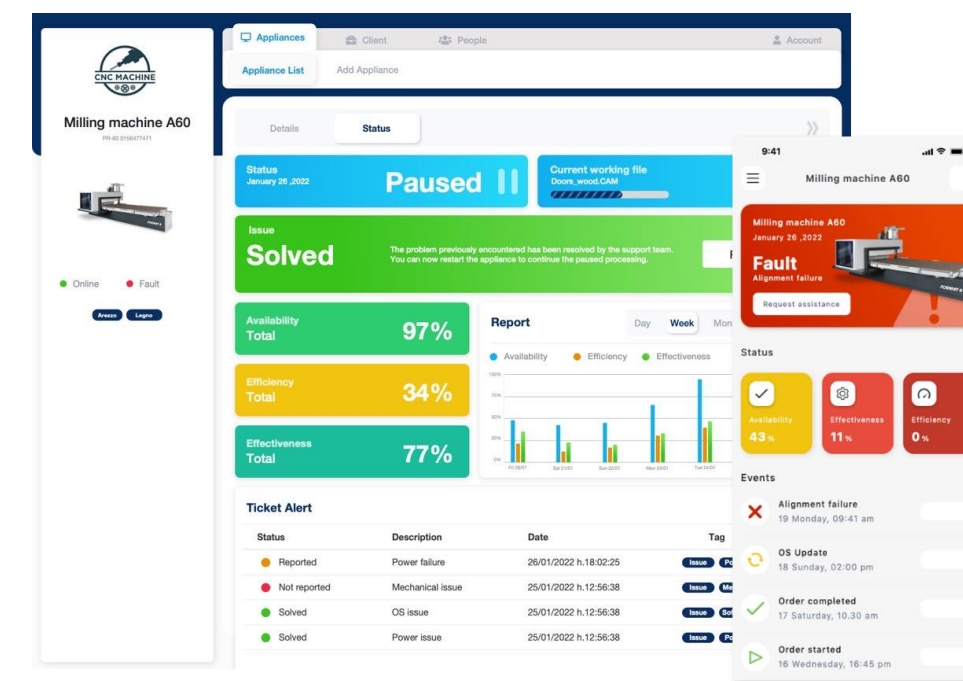
[UPS Management](#)

CLEA Boiler App

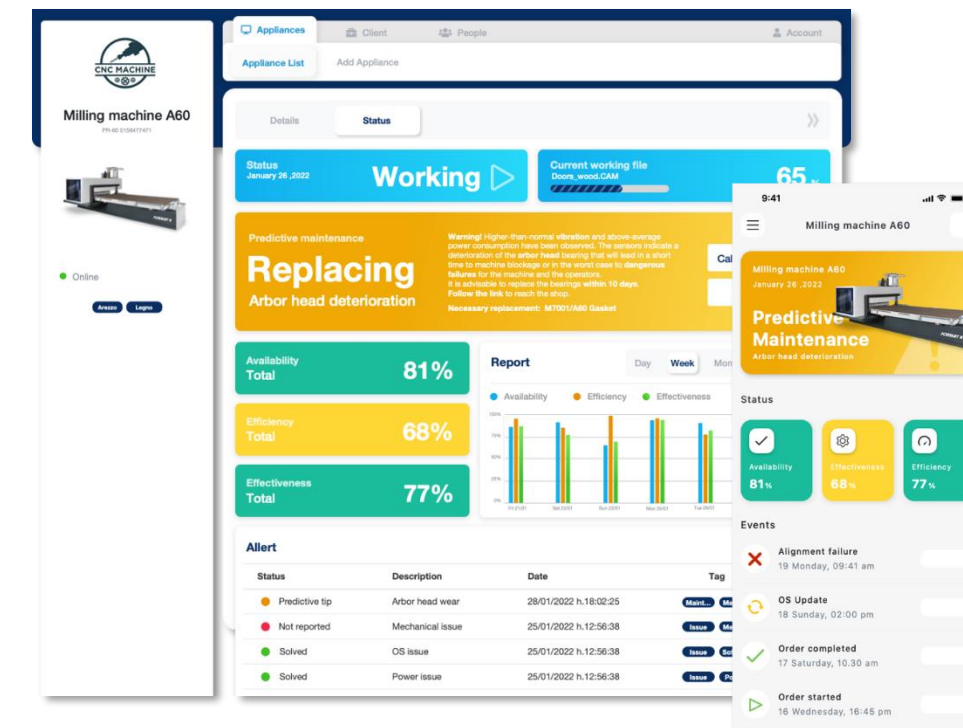


[Boiler Predictive Maintenance](#)

CLEA for Industrial Apps

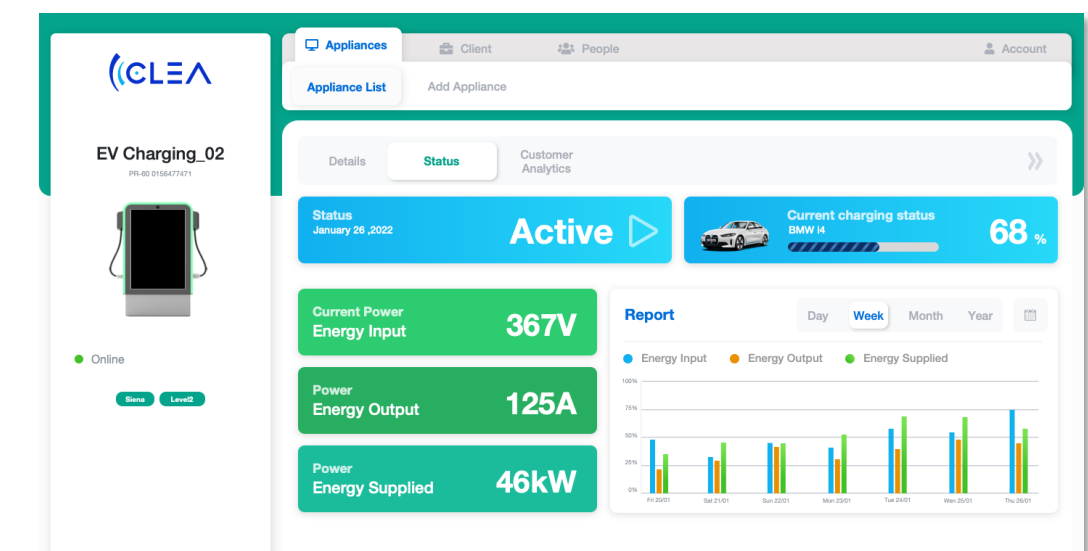


[AI Remote Assistant](#)



[Predictive Maintenance](#)

CLEA AI EV Charging Station App



[Plate Recognition And Fleet Management](#)

[Digital Signage](#)

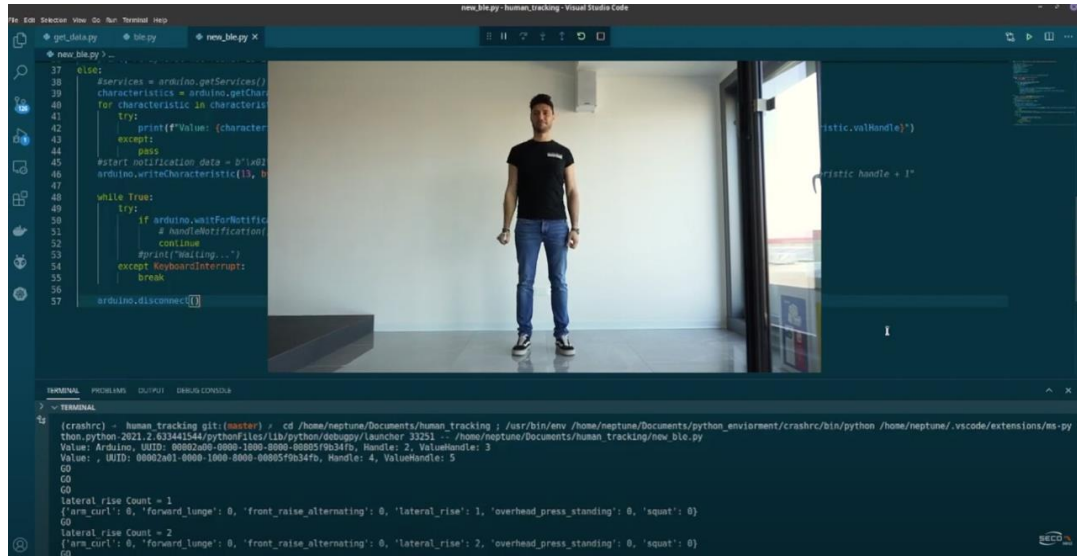
[Landing Page](#)



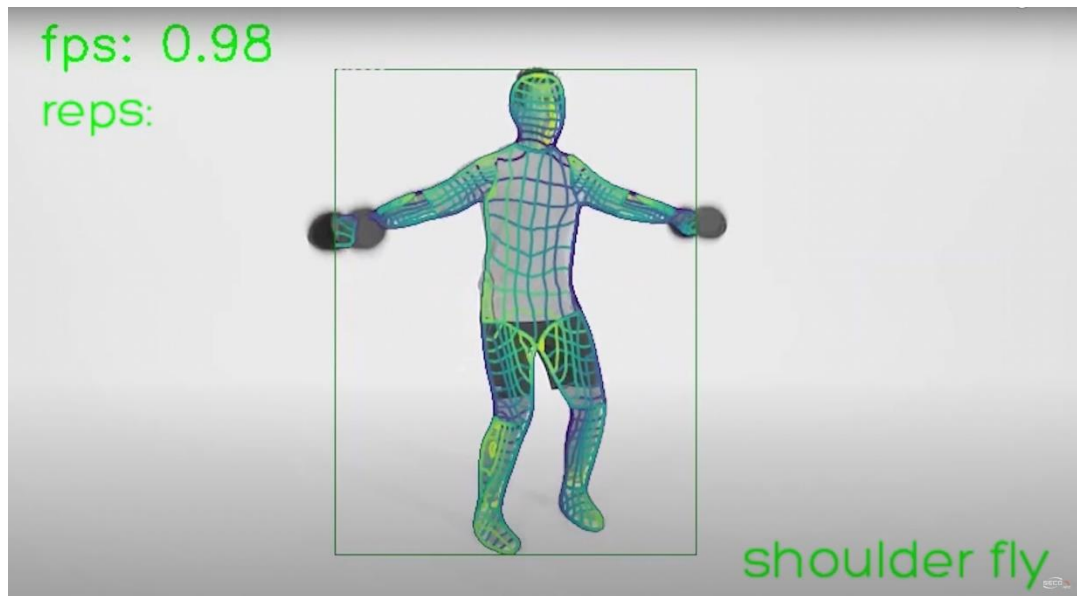
Vertical Applications of CLEA

How customers can generate higher margins, recurring revenues, better differentiation

CLEA Fitness App

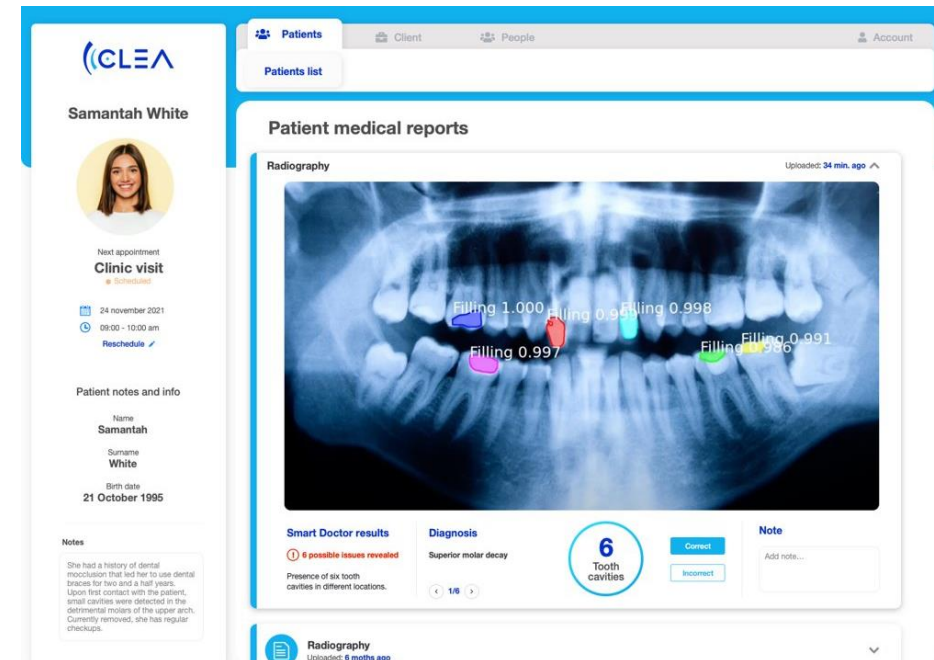


Smart Dumbbell



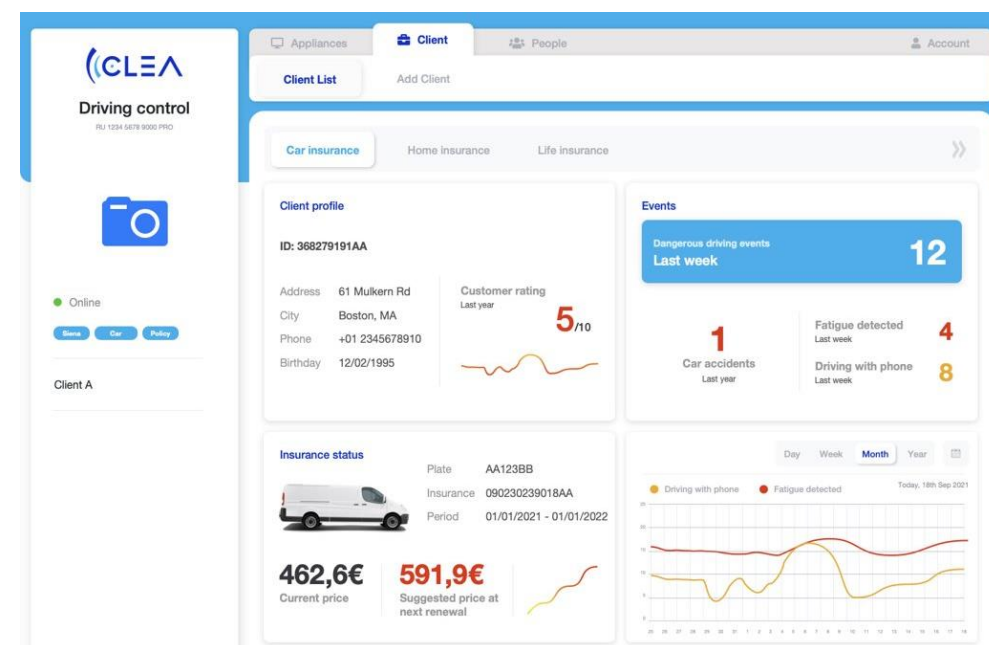
Exercise Recognition & AI Personal Trainer

CLEA Healthcare App



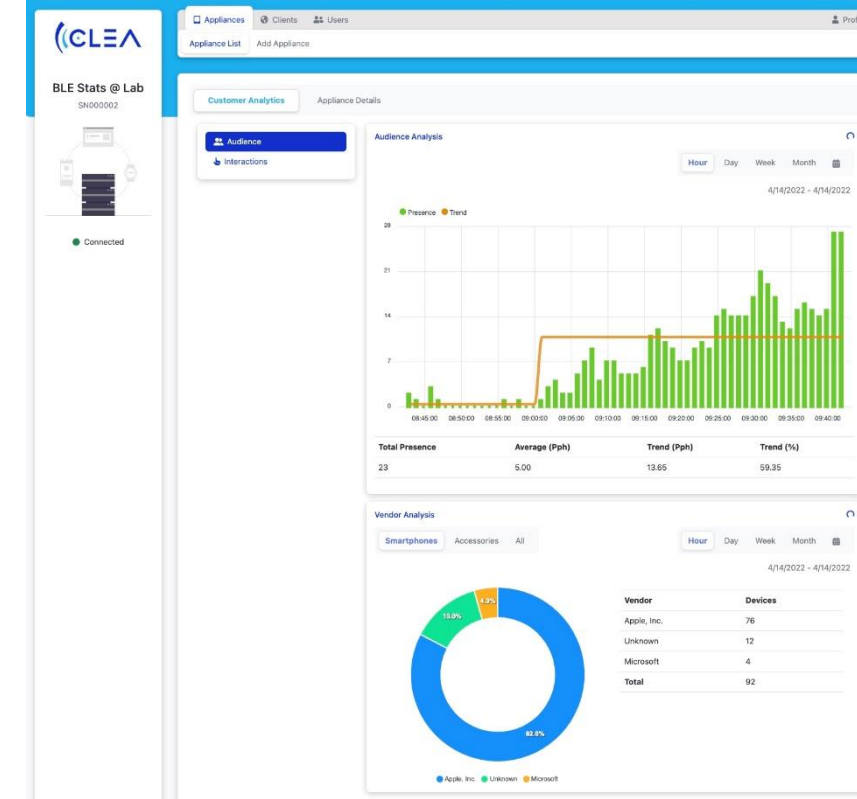
AI Tooth Cavity Detection App

CLEA Automotive App

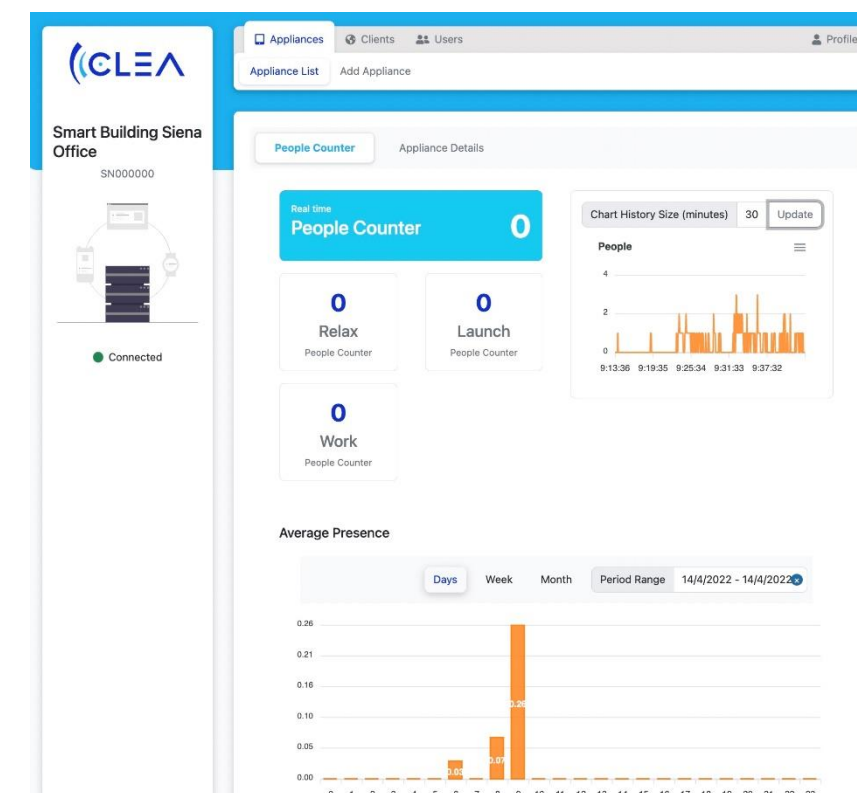


AI Driver concentration App

CLEA for Smart Cities

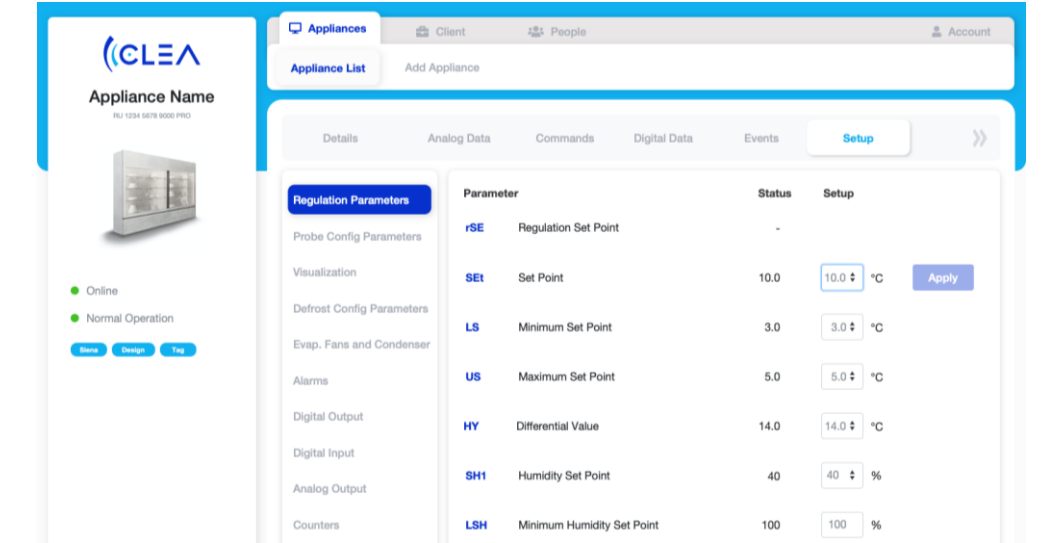


BLE Audience Analysis



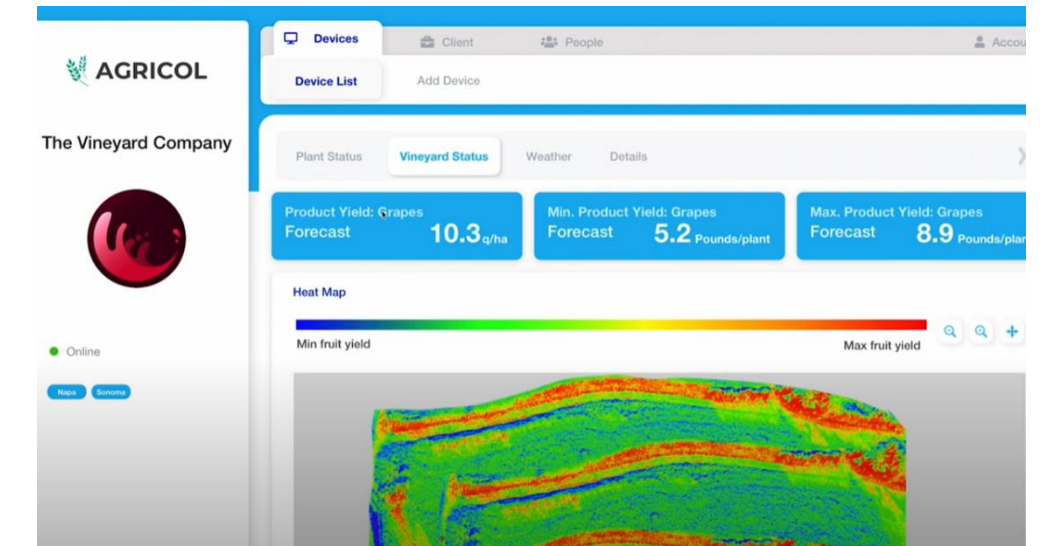
People Counter and Tracking

CLEA Refrigeration App



Remote Setup and Management

CLEA for Agriculture



Harvest Forecasting



Endless ways to the future

A highly committed management team



40+ years

Daniele Conti

President & Co-Founder

Co-founder of SECO. He has been serving as president of the company for over 40 years. Under his leadership, the Group has grown in terms of technological expertise, human resources and financial performances.



5+ years

Massimo Mauri

CEO

20+ years experience as executive in several Tech companies. Strong experience in IPO and M&A transactions.



15+ years

Davide Catani

CTO

Joined SECO in 2006. CTO since 2020, after serving as Hardware developer and ARM-based platforms R&D manager.



5+ years

Vincenzo Difronzo

CSO

15+ years sales experience in worldwide leading hardware and software companies. Joined SECO in 2015.



15+ years

Carlos Valeiras

CEO SECO USA

20+ years experience as executive in several Tech companies. Former CFO of SECO USA from 2020.



17+ years

Angelo Piloni

COO

20+ years experience in Operations & Supply chain management. Joined SECO in 2003.



3 years

Michael Duhamel

Vice President of Sales SECO USA

20+ years of experience in sales and marketing for the largest industrial, embedded and automation solution providers. Previously in Eurotech USA.



3 years

Lesen Ding

CEO Fannal Electronics

Founder and General Manager of Fannal Electronics (2011 – present).



2+ years

Lorenzo Mazzini

CFO

Served as CFO in several public and private companies. Strong experience in IPO and M&A transactions.



1 year

Angela Lepore

Group HR Director

15+ years of experience in HR management in multinational and international companies.



< 1 year

Dirk Finstel

CEO SECO Northern Europe

30+ years experience in running global business units in several Tech companies. Former executive in Kontron, Adlink, Advantech.



12+ years

Simona Agostinelli

Chief Marketing Officer

20+ years experience in Marketing, Communication consulting and management. In SECO since 2010.



15+ years

Gianluca Venere

CIO

10+ years experience in business development, sales, innovation and internationalization for SECO Group.



2+ years

Alessandro Guido

Group Corporate and Legal Affairs Director

10+ years experience in legal advisory, with particular focus on Corporate law. In SECO since 2020.



2+ years

Dario Freddi

CEO SECO Mind

Previously founder and CEO of Ispirata Srl. Strong data orchestration background in primary worldwide leading companies.



4 years

Maurizio Caporali

Chief Product Officer

Previously co-Founder and CEO of AidiLab. Joined SECO in 2018 as IoT BU Product Manager and R&D Project Manager.



5+ years

Marco Parisi

Head of IR

Business Manager of SECO from September 2019. Financial advisor of SECO from September 2016 to September 2019.



1+ year

Ajay Malik

CEO SECO Mind US

30+ years experience in high-tech, IoT and AI. Former executive in Google, Cisco, Qualcomm, Motorola.

years in SECO



Endless ways to the future



Endless ways to the future

Thank you
