



Endless ways to the future

SECO: Q1 2023 Results and Business update presentation

May 15, 2023

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Here today



Massimo Mauri
CEO



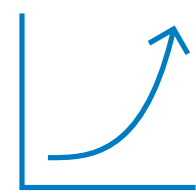
Lorenzo Mazzini
CFO



Marco Parisi
Head of Investor Relations

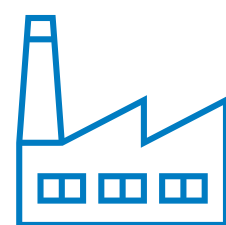
Key takeaways from 2023 YTD

Sustained organic growth path continuing



- **Q1 2023**: Net sales at **€54.6m**, **+28%** organically vs. Q1 2022
- **Growth distributed** across **geographical areas** and **verticals**
- CLEA business at **€6.4m** in Q1 2023 (**12%** of sales), **+75%** vs. Q1 2022
- Proportion of CLEA recurring revenue increasing to over **30%** of total

Gross margin improvement



- Components' market returning **gradually back to normal**, with average lead times seen progressively improving on several items categories
- **GPM** incidence at **47.5%** in Q1 2023, improving vs. Q1 and FY 2022

Operating leverage



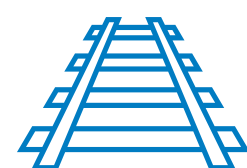
- Adj. EBITDA at **€12.0m** in Q1 2023
- **22%** of sales, **+40%** vs. Q1 2022

7-Industries deal



- Strategic shareholder with long-term investment approach
- Significantly lowered leverage and increased financial flexibility thanks to **€65m capital injection**

2023-24 outlook



- Visibility provided by backlog, design wins and pipeline evolution leading to confidence on continuation of sustained organic growth

Q1 2023 financial highlights

Q1 22 → **Q1 23**

Net sales

€42.8m → €54.6m

- **+28% organic growth** in Q1 2023 vs. Q1 2022
- Edge computing business growing at **23%** in Q1 2023 vs. Q1 2022
- CLEA revenue at **€6.4m** in Q1 2023 (vs. €3.7m in Q1 2022)

Gross margin

€20.1m → €26.0m
47.0% → 47.5%

- **+29% growth** in Q1 2023 vs. Q1 2022
- Price increase actions adopted in previous quarters and positive impact from CLEA revenue have helped gross margin improve vs. Q1 and FY 2022

Adj. EBITDA

€8.6m → €12.0m
20.0% → 22.0%

- **+40% growth** in Q1 2023 vs. Q1 2022
- Operating leverage thanks to business acceleration and OPEX control
- OPEX at **29%** of Q1 2023 Net sales, vs. **32%** in Q1 2022

Adj. Net Income

€3.5m → €4.5m
8.1% → 8.3%

- **+31% growth** in Q1 2023 vs. Q1 2022
- D&A: +€1.5m higher vs. Q1 2022
- Financial expenses: +€1.2M higher vs. Q1 2022, largely due to the increase in market interest rates
- Taxes calculated with theoretical tax rate

...% = % of Net sales

Net sales

€54.6m

Q1 2023 Net sales

+€11.8m

Q1 2023 vs. Q1 2022



Q1 2023 vs. Q1 2022 growth

1.2x

Edge computing growth

1.7x

CLEA growth

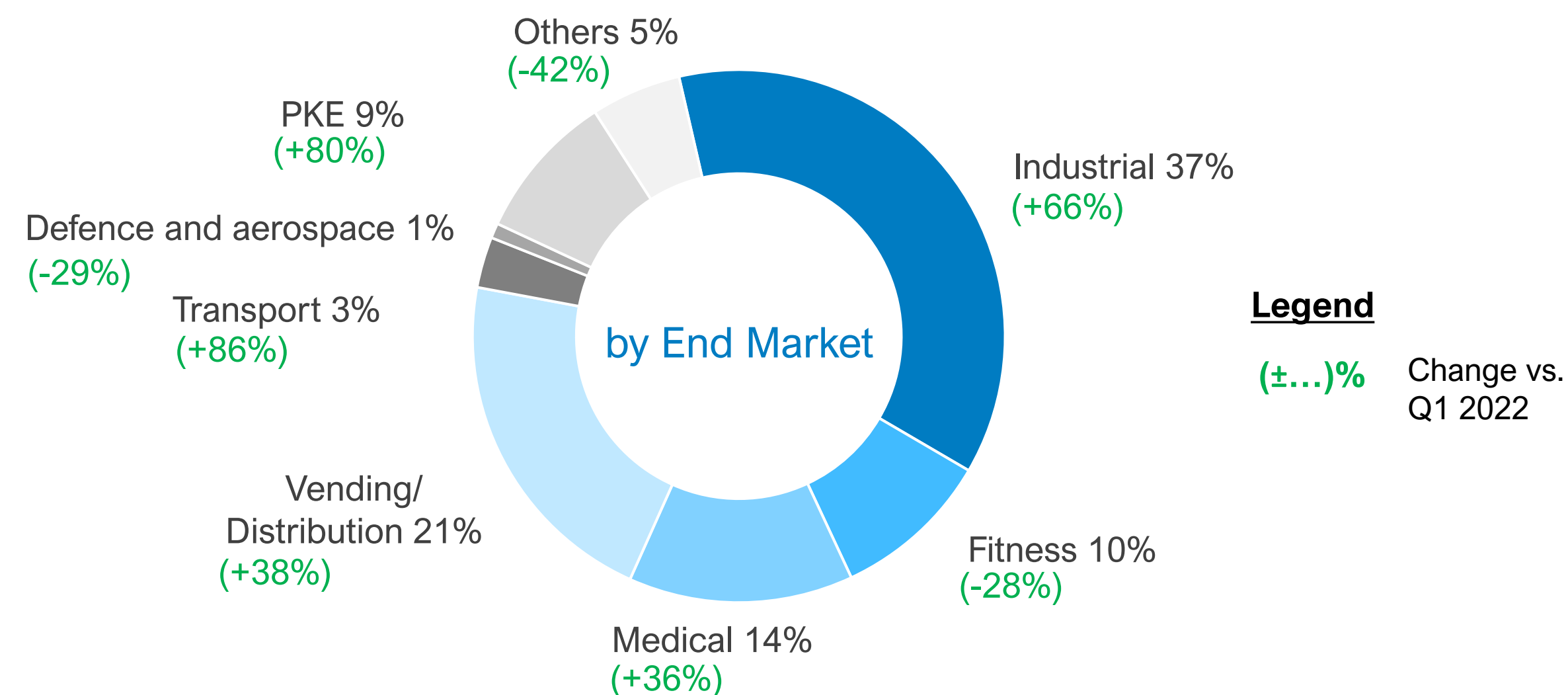
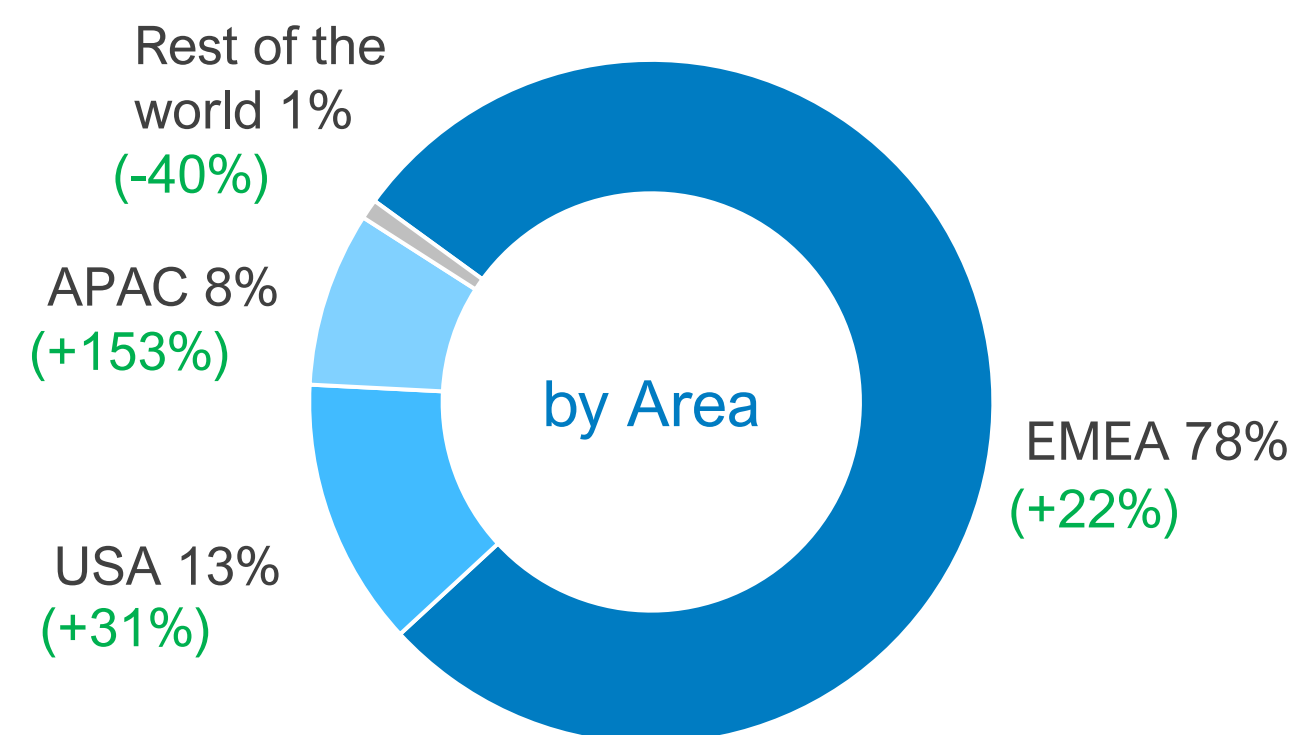
12% of
Net sales



€6.4m

Q1 2023 CLEA
revenue

Net sales breakdown (Q1 2023)



Legend
(±...)% Change vs. Q1 2022

- Q1 2023 Net sales growing organically by **+28%** vs. Q1 2022
- Edge computing business at **+23%** in Q1 2023, largely thanks to a growth in the Industrial, Transportation, Medical, Vending, PKE industries

- CLEA business continuing its expansion trend, hitting **€6.4m** revenue in Q1 2023 (**+75%** vs. Q1 2022)
- Proportion of CLEA recurring revenue increasing to over **30%** of total
- EMEA, APAC, USA markets all showing growth trends



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Adjusted EBITDA

€12.0m

Q1 2023 Adj. EBITDA

+€3.4m

Q1 2023 vs. Q1 2022

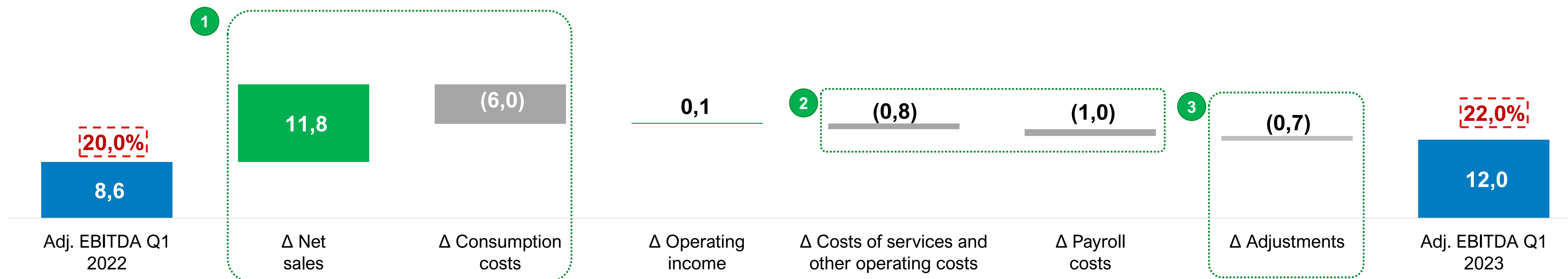
+40%

% growth vs. Q1 2022

22.0%

of Net sales

Adjusted EBITDA bridge (€m)

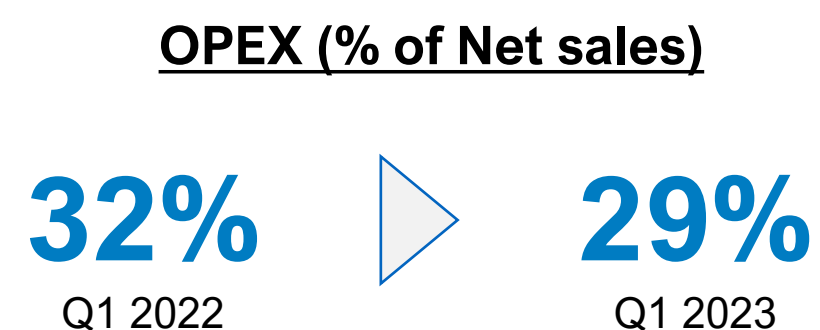


1 Gross margin effect

- Gross margin at **+29%** vs. Q1 2022, mainly thanks to **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**



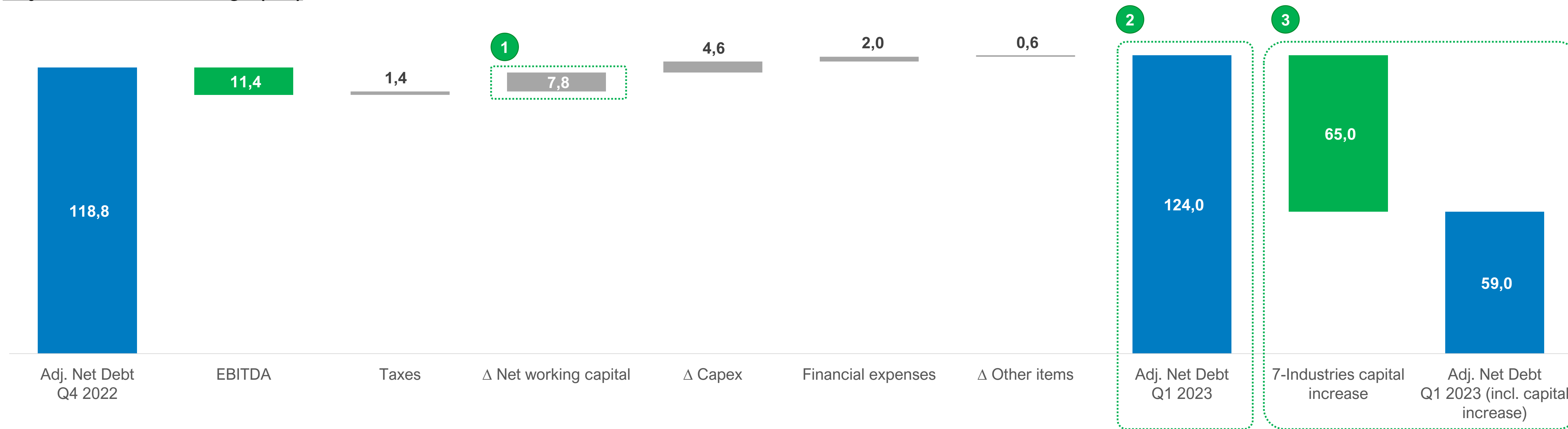
3 Adjustments

- Q1 2023 EBITDA Adjustments (€m)



Adjusted Net financial position

Adjusted Net debt bridge (€m)

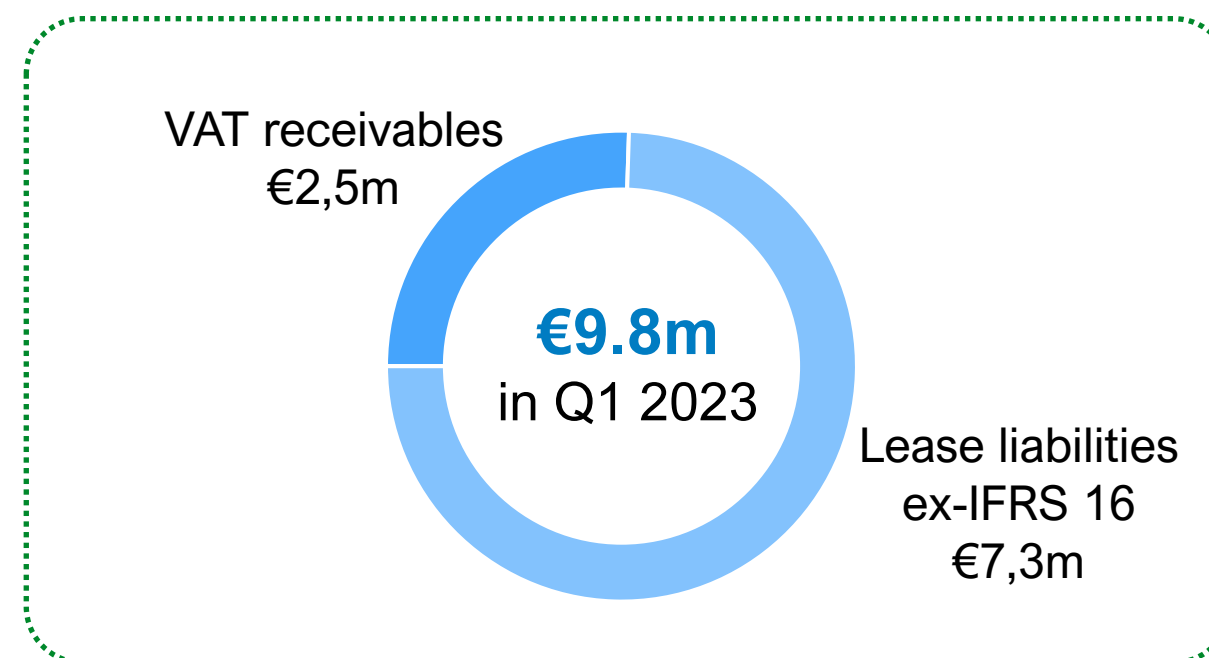


1 Δ Net working capital

- Change mainly due to increase in trade receivables to sustain business growth

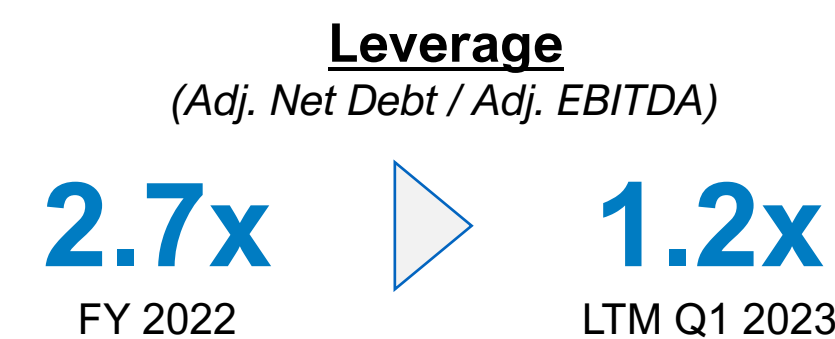


2 Net debt Adjustments



3 7-Industries capital increase

- €65M capital increase approved on April 2, 2023*
- Significantly lowered leverage and increased financial flexibility



Note: all numbers in €m are rounded to the closest first decimal place, so there may be deltas for up to ±€0.1m when variation figures are displayed

* First tranche of the capital increase: closing completed on April 6, 2023 (€56.3m); second tranche to be completed at the obtainment of the required authorizations



Endless ways to the future

Business update

Business visibility and opportunities



Sustained growth

Expected to continue despite signs of global macroeconomic slowdown



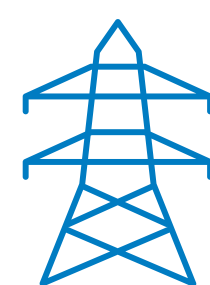
New customers and design wins secured

For 2024 and beyond, laying the foundations for a long-term business expansion

Main opportunities



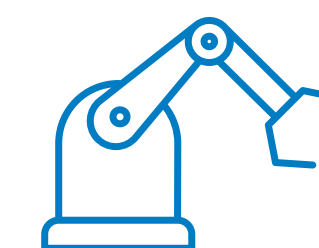
Water pumps



Electricity metering digitalization



EV chargers



Industrial

CLEA Business

Enriching our partners' ecosystem

Expand our offering



By providing end-to-end solutions

Accelerate time-to-market



By easing integration for our customers

Creating a reference standard



Higher platform scalability



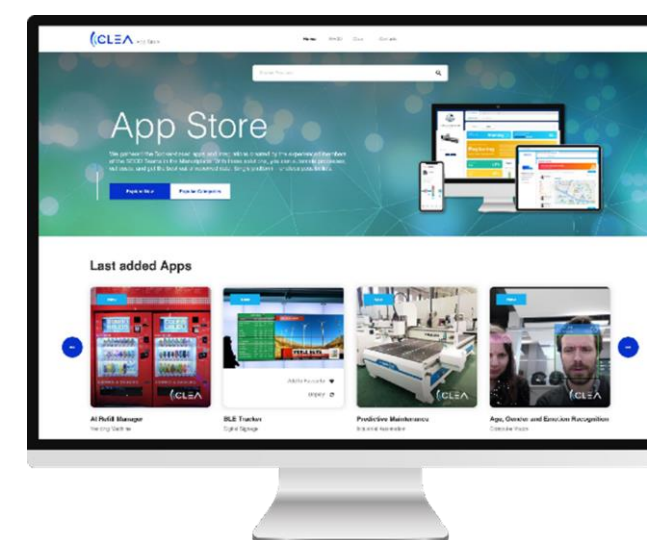
Q1 '23:  AXELERA ARTIFICIAL INTELLIGENCE and Google Cloud joined our ecosystem



Working to start **new partnerships** with leading **hardware** and **software players**



CLEA Store: announced in April '23, already receiving the **first requests for adoption**



Recurring revenue portion progressively increasing (over **30%** of total CLEA revenue)

Potential future growth opportunities

Strategic shareholder providing financial flexibility



- 7-Industries deal: significantly lowered leverage and **increased financial flexibility** thanks to **€65m capital injection**
- Strategic shareholder with long-term investment approach

Continuing M&A strategy



- **Quality M&A deals** to complement strong organic growth
- Screening phase ongoing, with possible targets currently under higher focus

What would a possible target look like?



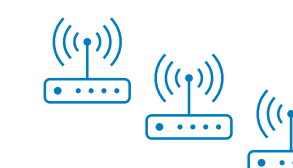
US-based



Hardware company



Local production



Large device base to spread CLEA



Financially sound



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Q&A



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ANNEX

SECO today

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



€201M
2022 FY revenue



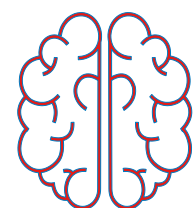
Listed on
Borsa Italiana's Euronext STAR Milan



>1m devices
manufactured every year



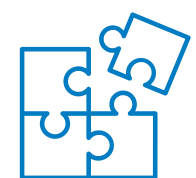
~ 900 people



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



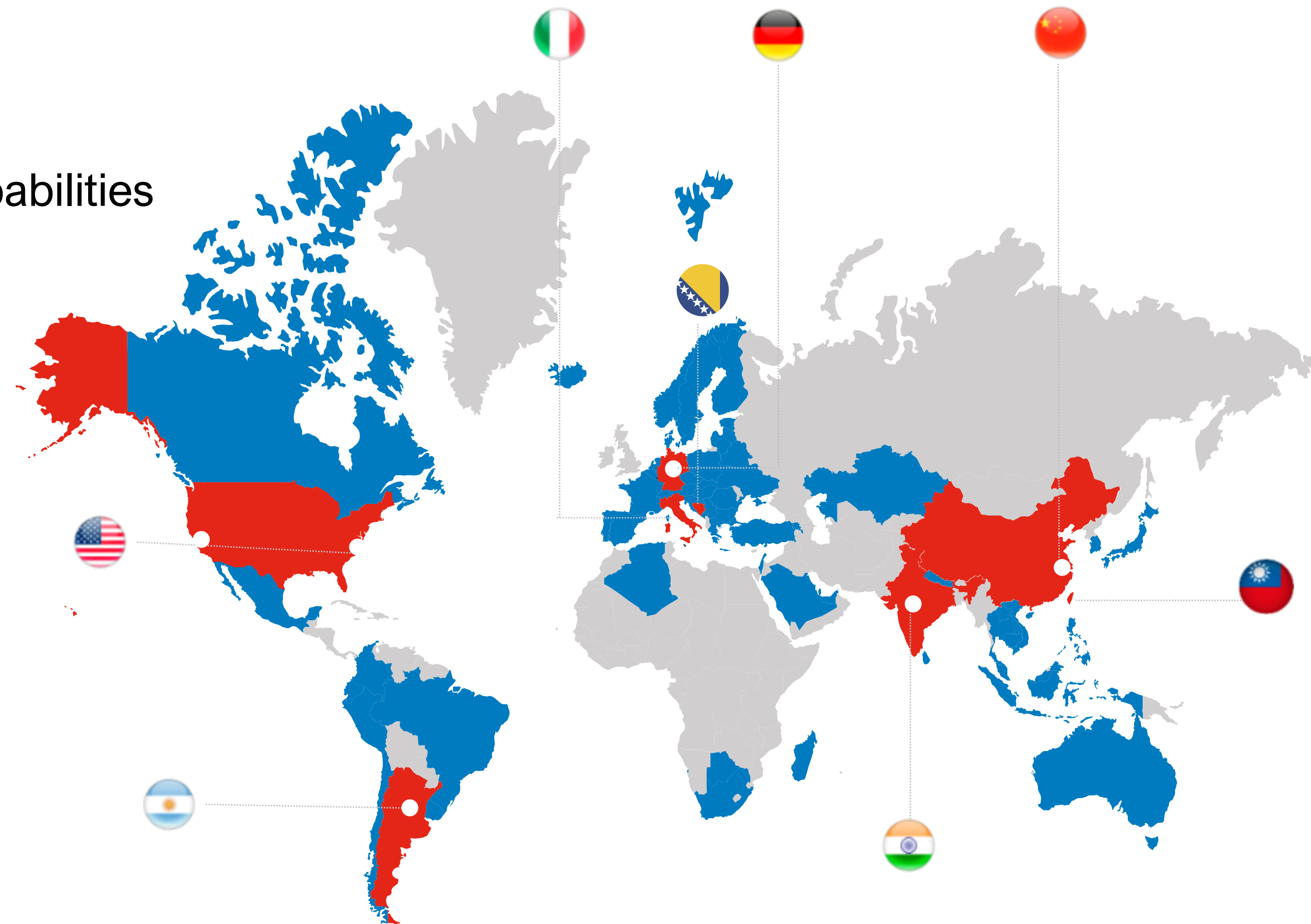
~ 8-10%
of revenue invested in R&D every year



10 R&D centers
5 production plants



8 countries



Commercial Presence **Direct Presence**

Our production plants



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Financials overview

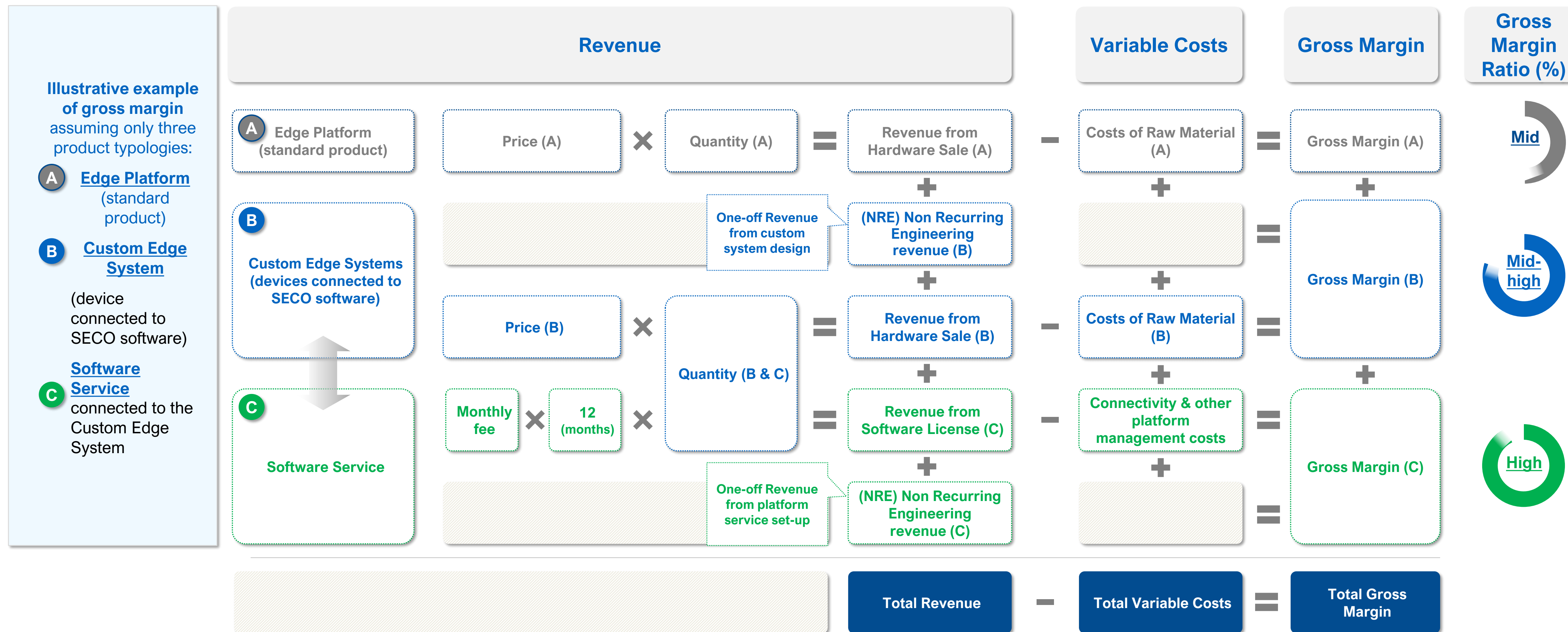
Income Statement

€mln	Q1 2022	Q1 2023
Net Sales	42,8	54,6
Consumption Costs	(22,6)	(28,6)
Gross Margin	20,1	26,0
<i>% on Net Sales</i>	<i>47,0%</i>	<i>47,5%</i>
Other revenues	1,0	1,1
Personnel costs	(8,2)	(9,2)
Other Opex	(5,6)	(6,6)
Exchange gains/losses	(0,1)	0,0
EBITDA	7,2	11,4
<i>% on Net Sales</i>	<i>16,9%</i>	<i>20,8%</i>
EBITDA ADJ	8,6	12,0
<i>% on Net Sales</i>	<i>20,0%</i>	<i>22,0%</i>
Depreciation	(3,2)	(4,7)
EBIT	4,1	6,7
<i>% on Net Sales</i>	<i>9,6%</i>	<i>12,2%</i>
Financial expenses	(0,8)	(2,0)
Tax	(1,0)	(1,4)
Net Income	2,2	3,3
<i>% on Net Sales</i>	<i>5,2%</i>	<i>6,0%</i>

Balance Sheet

€mln	FY 2022	Q1 2023
Net Working Capital	80,5	88,4
Total Fixed Assets	311,1	310,9
Other non-current assets	3,9	4,8
Provisions and other non-current liabilities	(30,1)	(30,5)
Net Invested Capital	365,4	373,6
Net Financial Position	128,8	133,8
Net Financial Position ADJ.	118,8	124,0
Total Equity	236,6	239,8
Total Funds	365,4	373,6

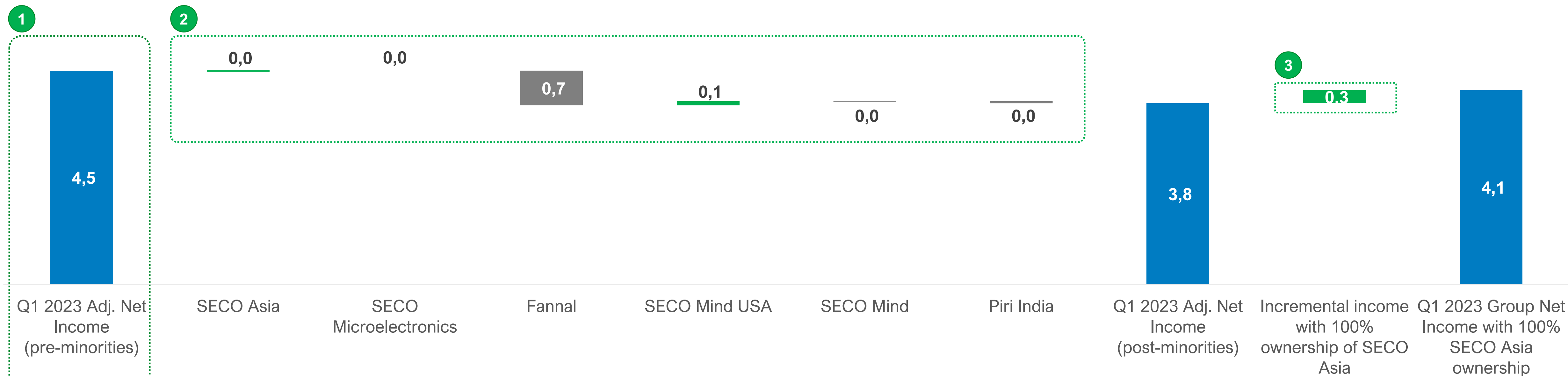
Revenue and cost model



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

Adjusted Net Income

Adjusted Net income (€m)



1 Adj. Net income

- D&A: +€1.5m higher vs. Q1 2022
- Financial expenses: + €1.2m higher vs. Q1 2022, largely due to the increase in market interest rates

2 Minority interests

- Minority stakes attributed to key people of some subsidiaries for incentivization purposes
- In Q1 2023, 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

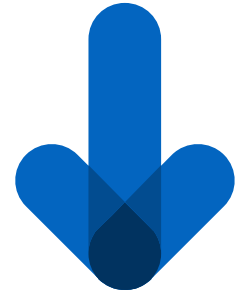
3 Effect of rising to 100% of SECO Asia

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

→ €0.3m 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)

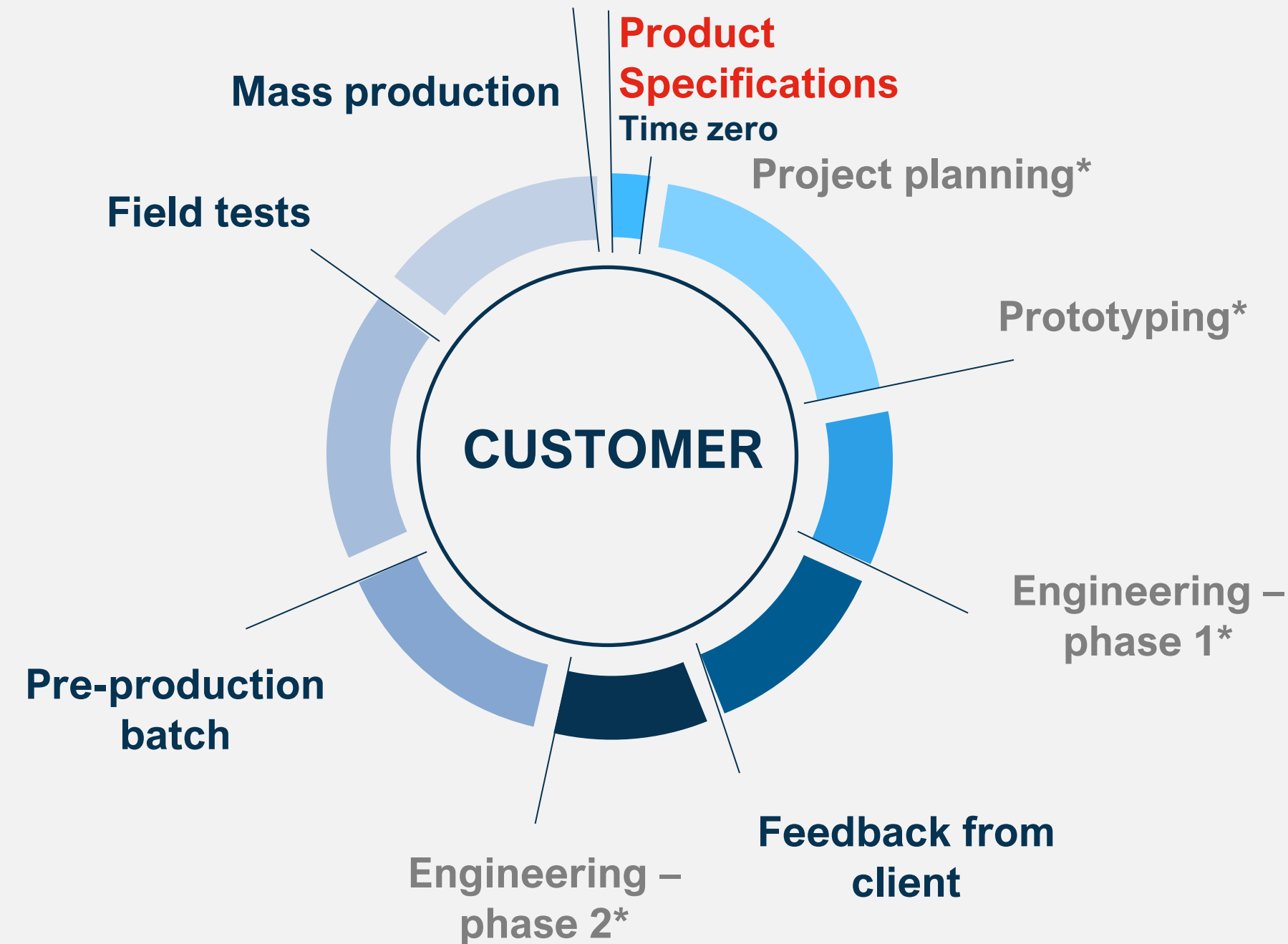
Order backlog coverage 6-7 months

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

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



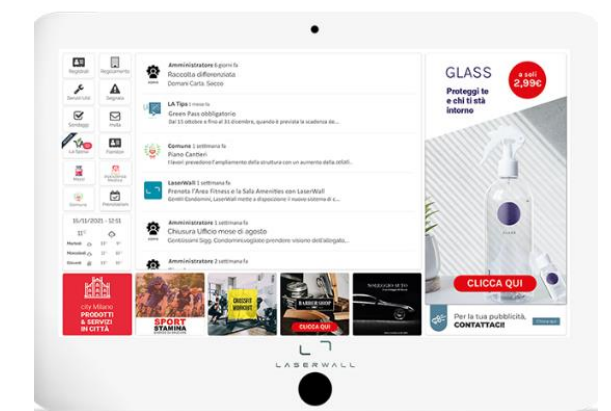
Industrial equipment



Medical devices



On-board passenger
information systems



Digital billboards



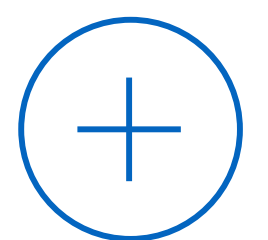
Coffee & Vending machines



Bowling scoring
equipment



Voting machines



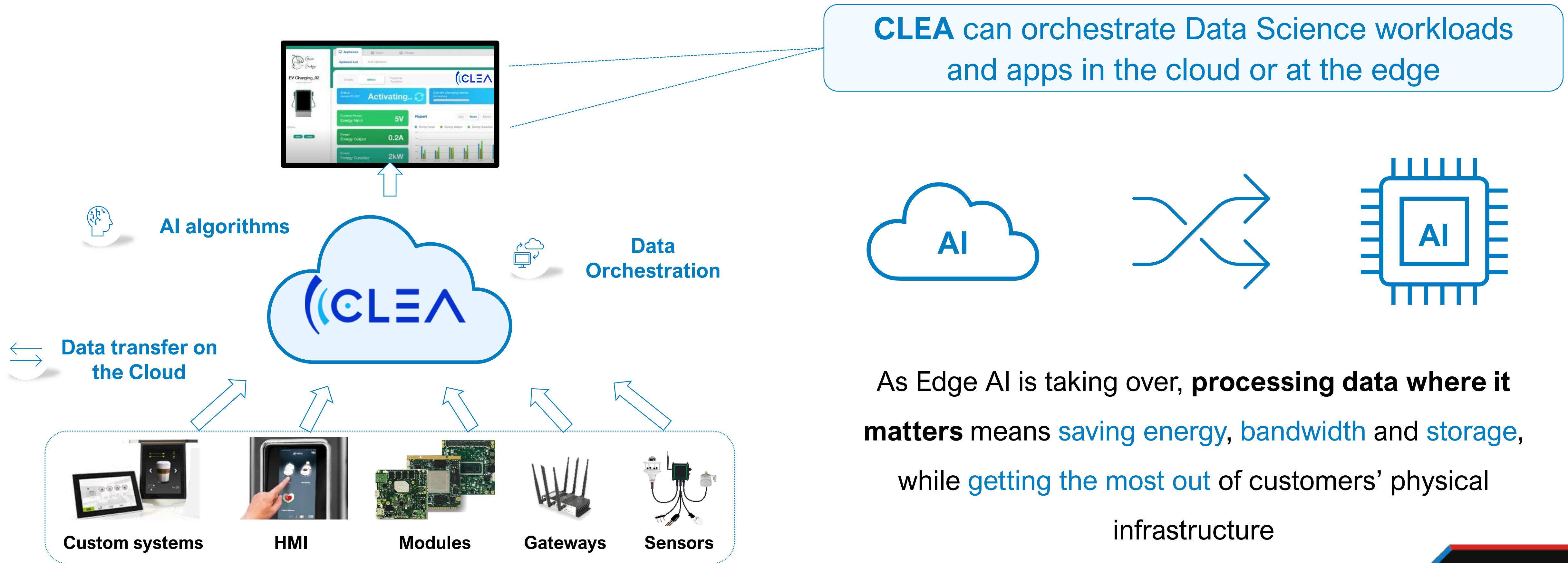
...and many more...



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The value of an end-to-end offering

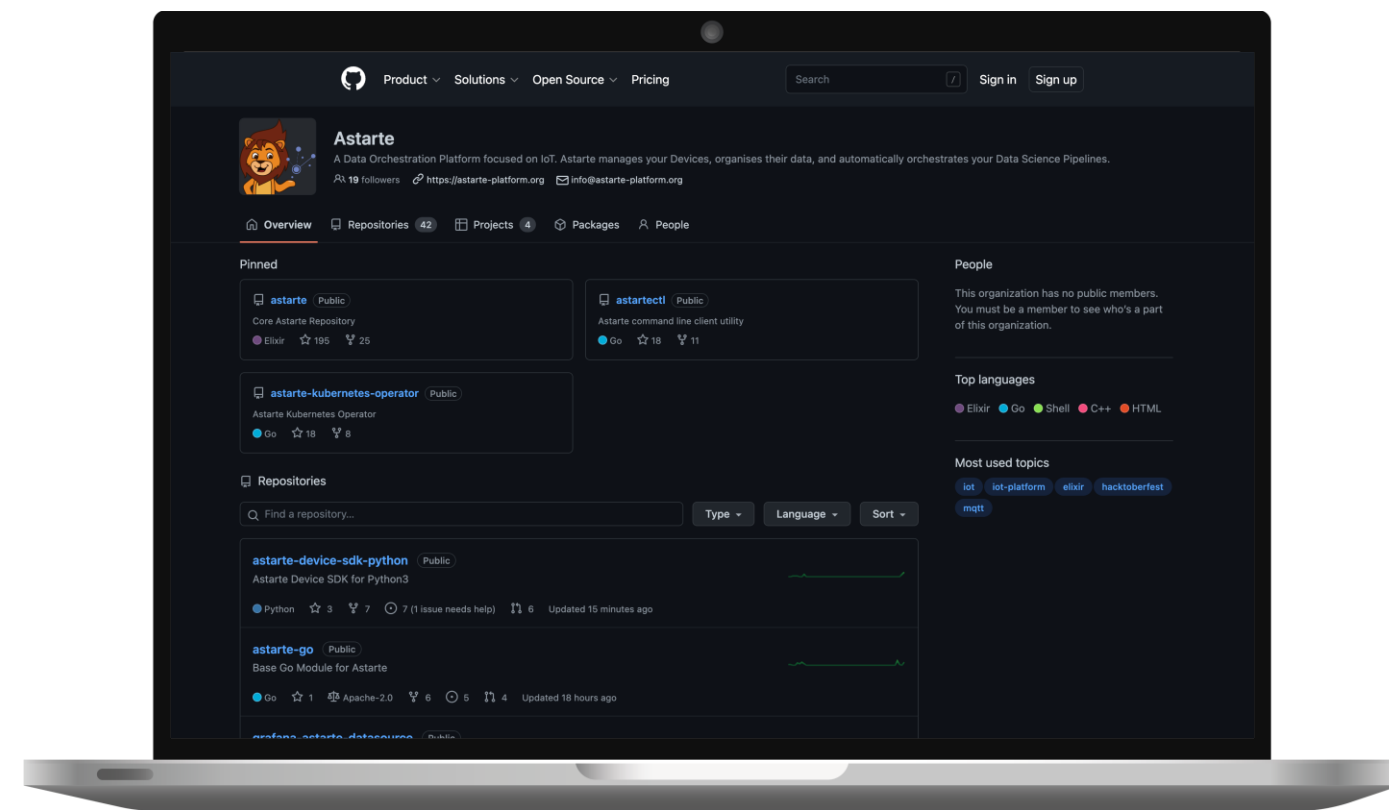
All customers need to get the most out of their data



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...

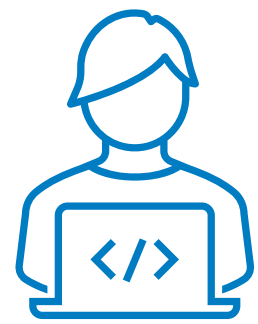
...to value added apps



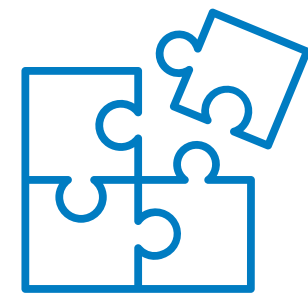
Endless ways to the future

CLEA Store

Enabling the servitization of our customers' business models



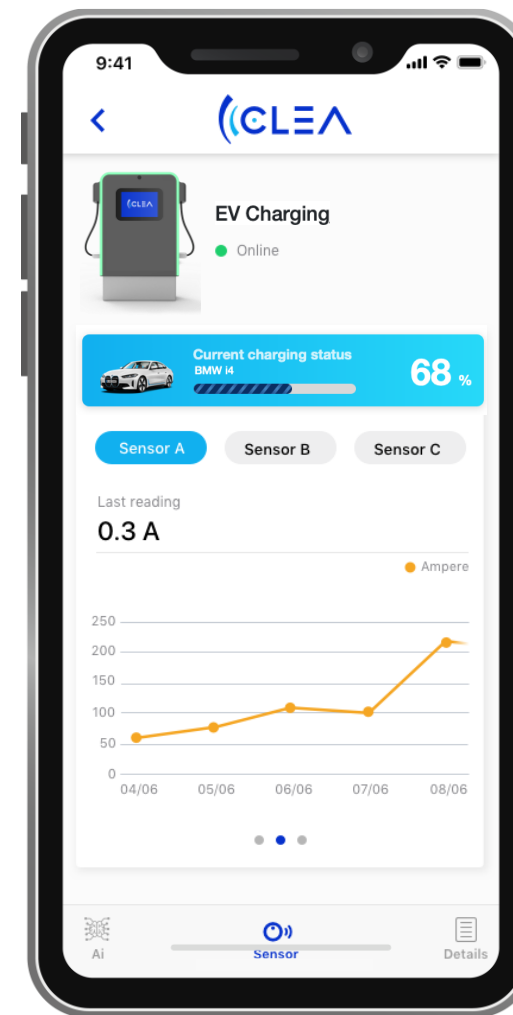
Customers to develop their own AI models to launch new **value-added services**



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

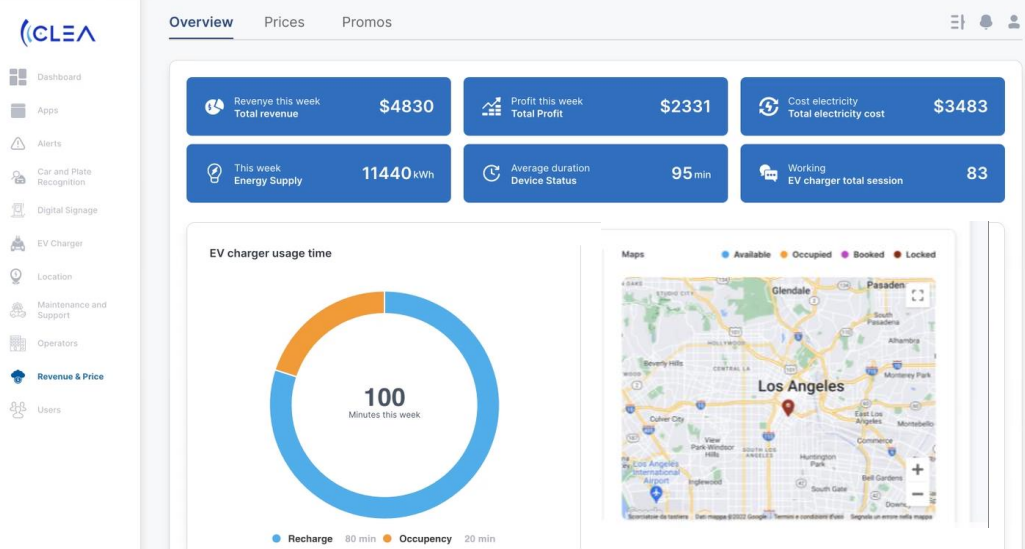


Customers can **monetize their apps** and start **offering them as digital services** to their own customers





The power of AI
at your fingertips



Geolocation and occupancy time

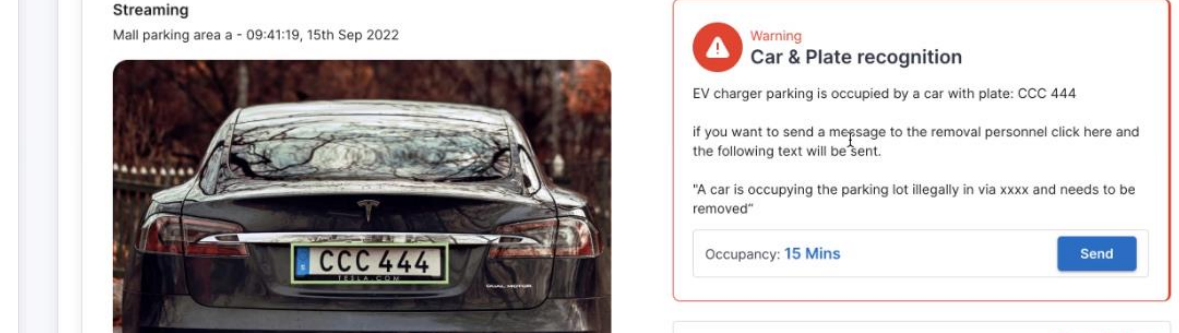
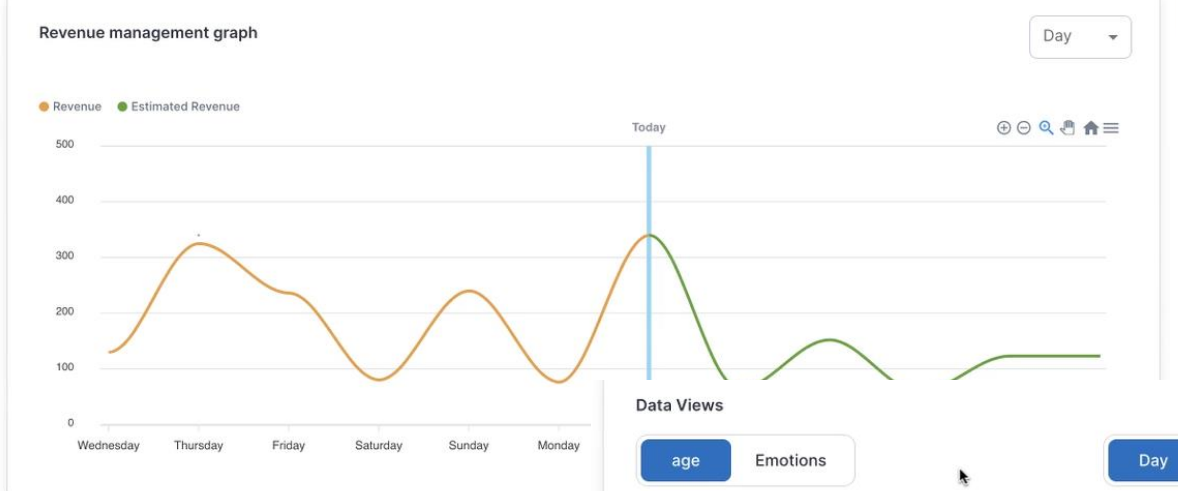
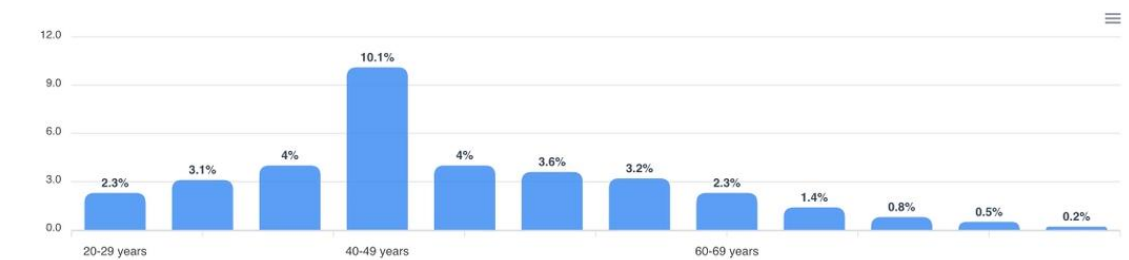


Plate recognition



Revenue prediction



Targeted advertising services



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Axelera partnership

▶▶ High performance AI inference capabilities

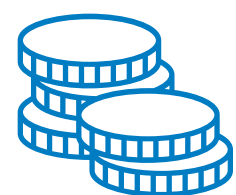


Accelerating computer vision at the edge

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



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



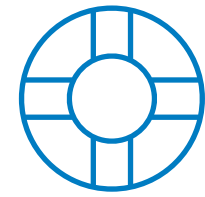
Cost effectiveness, reduced consumption vs. architectures based on cloud processing



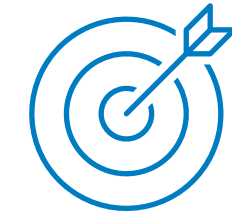
CLEA enabling deployment of **AI-based models** from the cloud to the edge



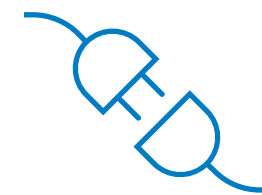
Google Cloud partnership



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

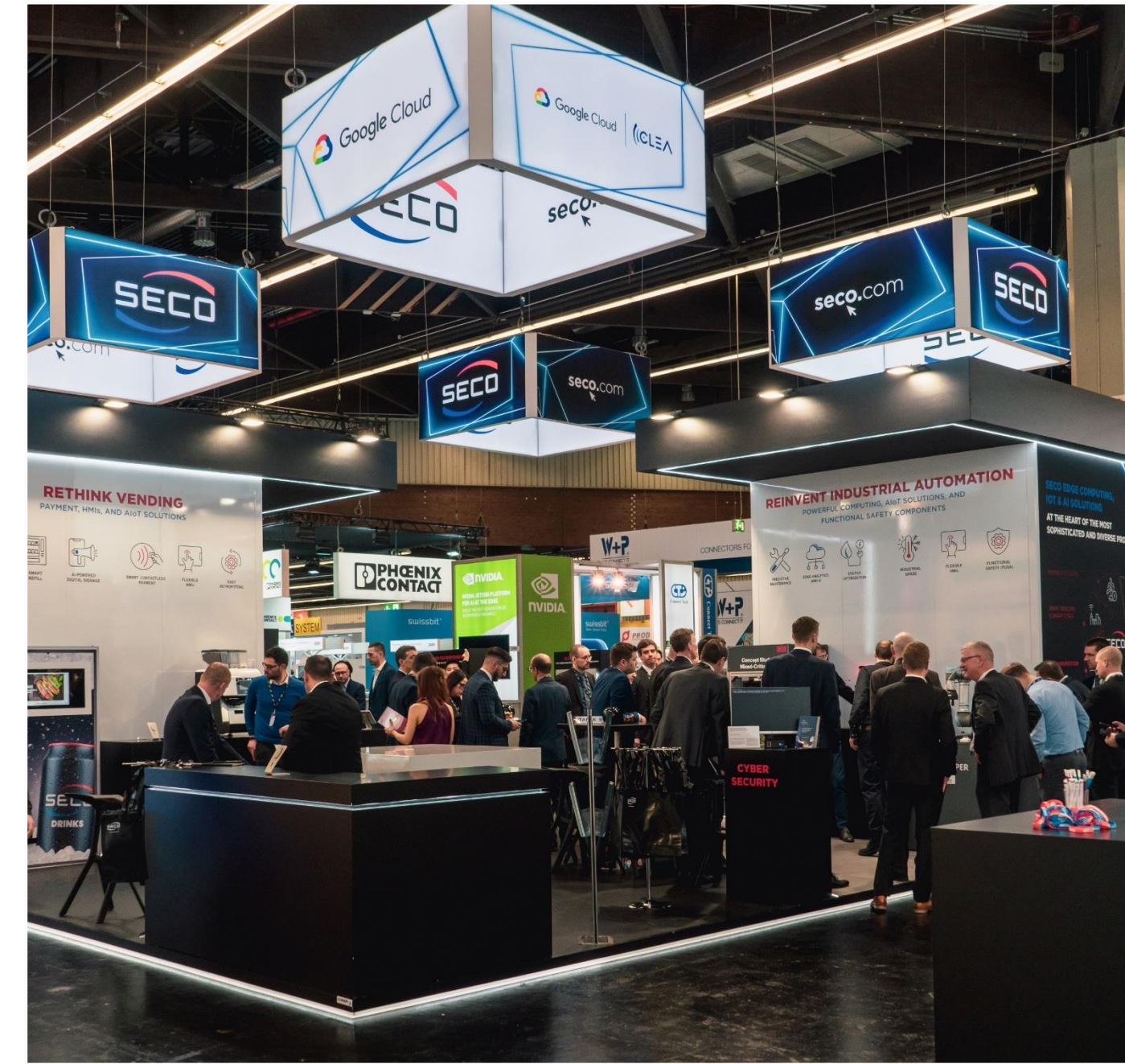


Co-operation between SECO and **Google Cloud's ecosystem** of partners



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

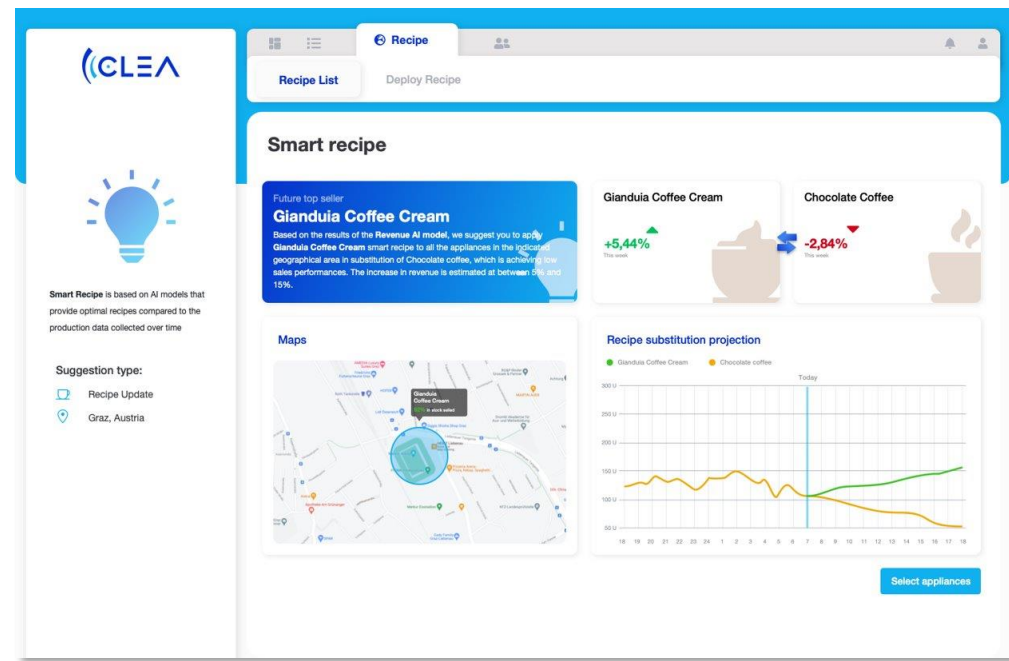


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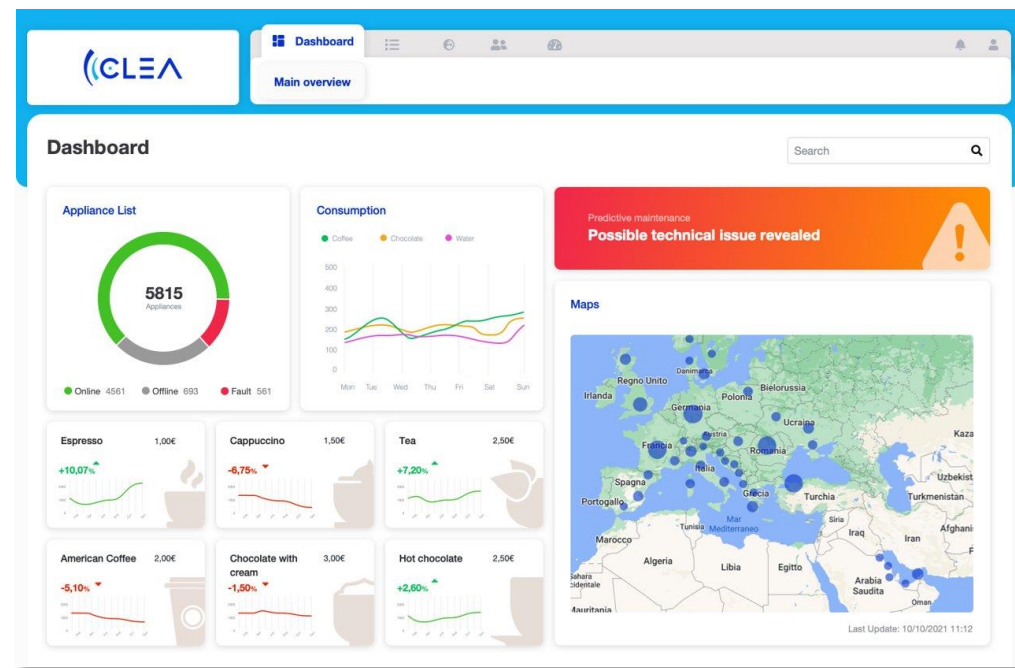
Vertical Applications of CLEA

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

CLEA Vending Machine Apps



[Recipe Sales Trends Analysis App](#)

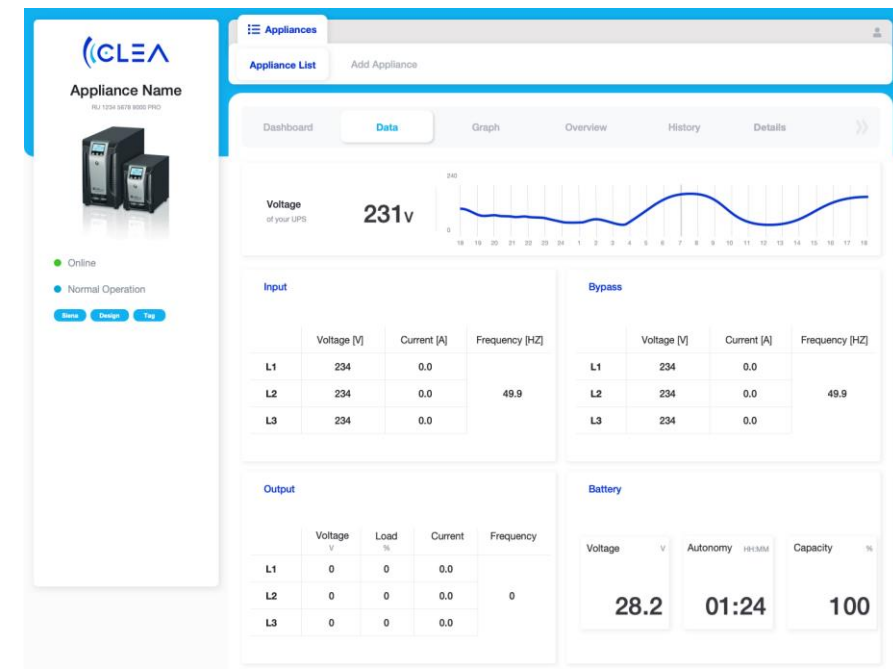


[Fault Detection & Machine Downtime Reduction](#)

[AI Smart Refill](#)

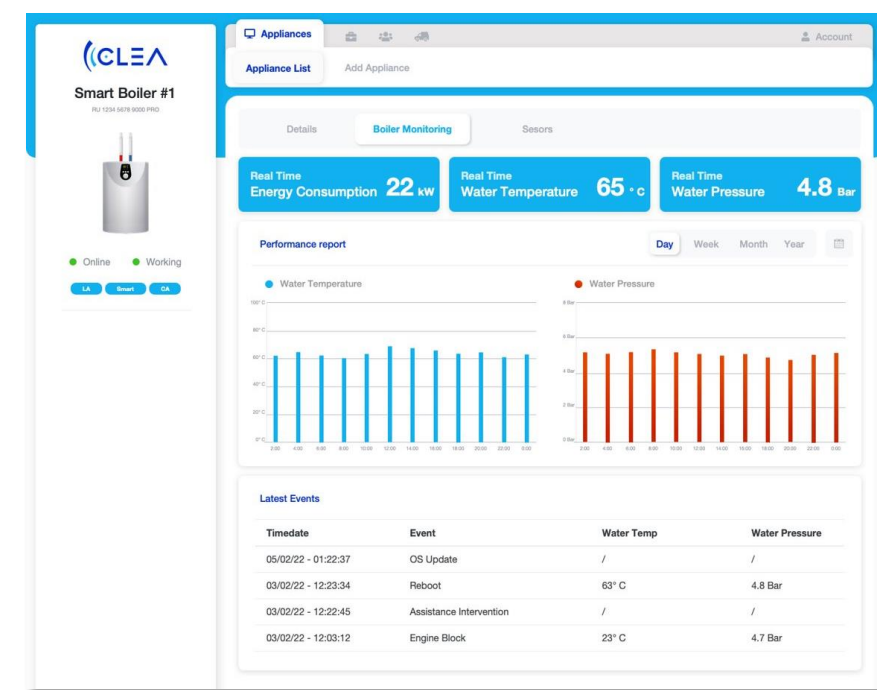
[Landing Page](#)

CLEA UPS App



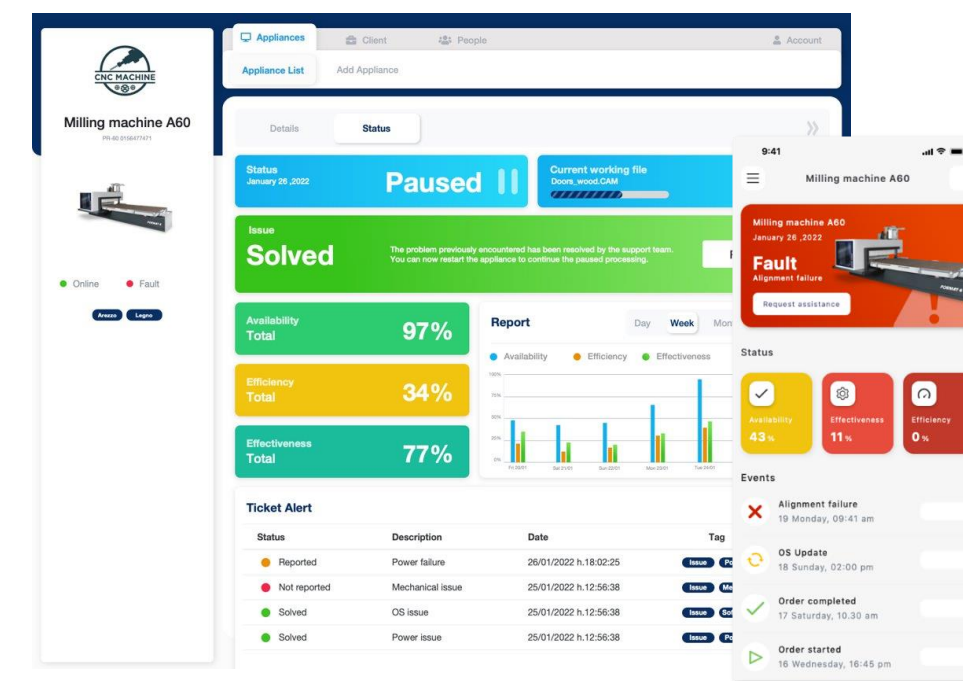
[UPS Management](#)

CLEA Boiler App

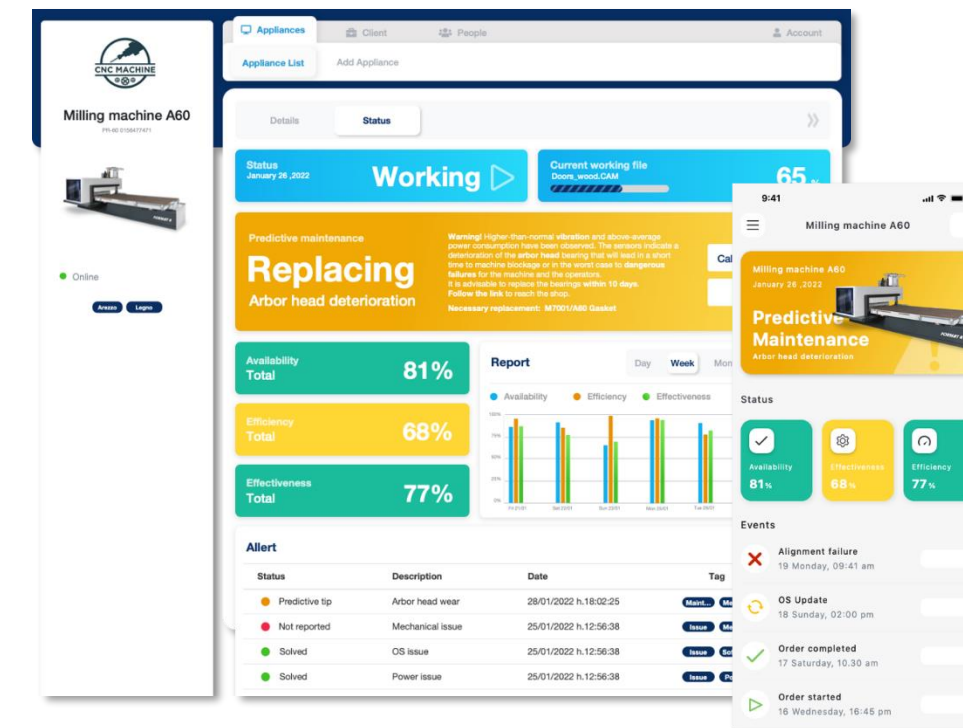


[Boiler Predictive Maintenance](#)

CLEA for Industrial Apps

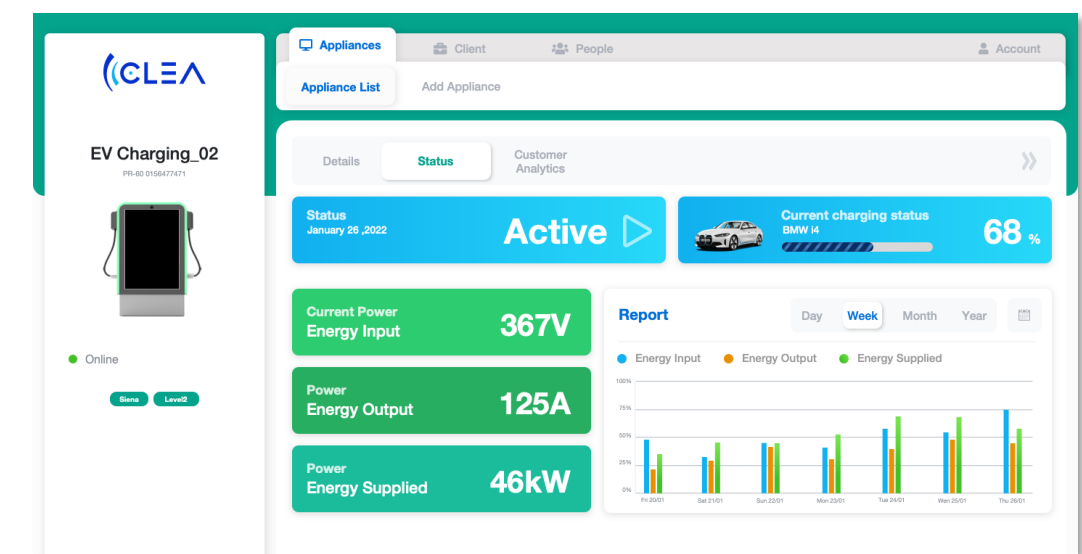


[AI Remote Assistant](#)



[Predictive Maintenance](#)

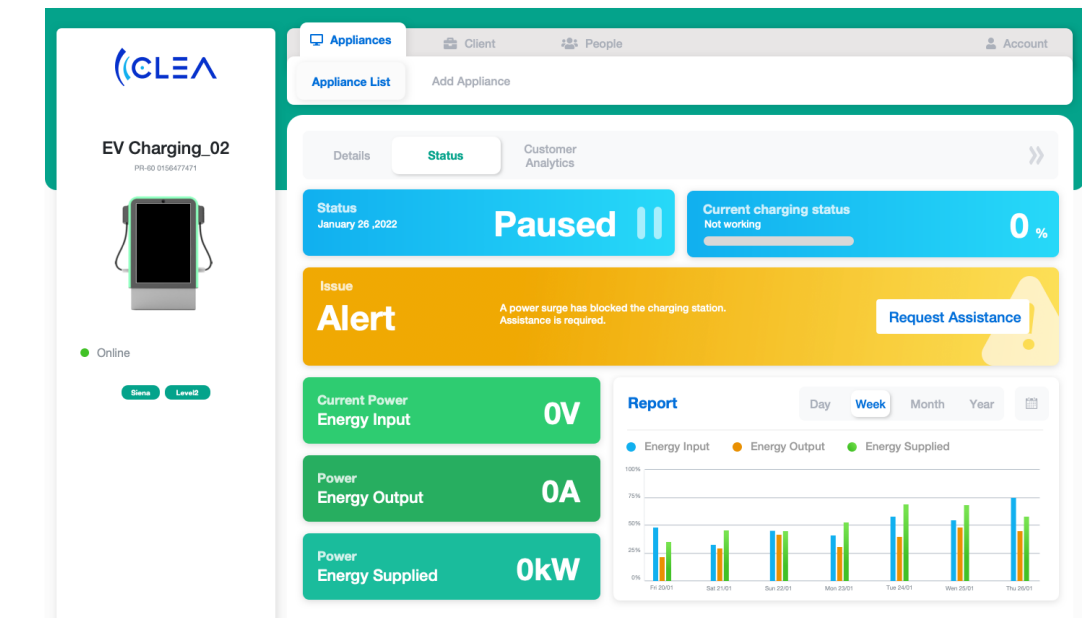
CLEA AI EV Charging Station App



[Plate Recognition And Fleet Management](#)

[Digital Signage](#)

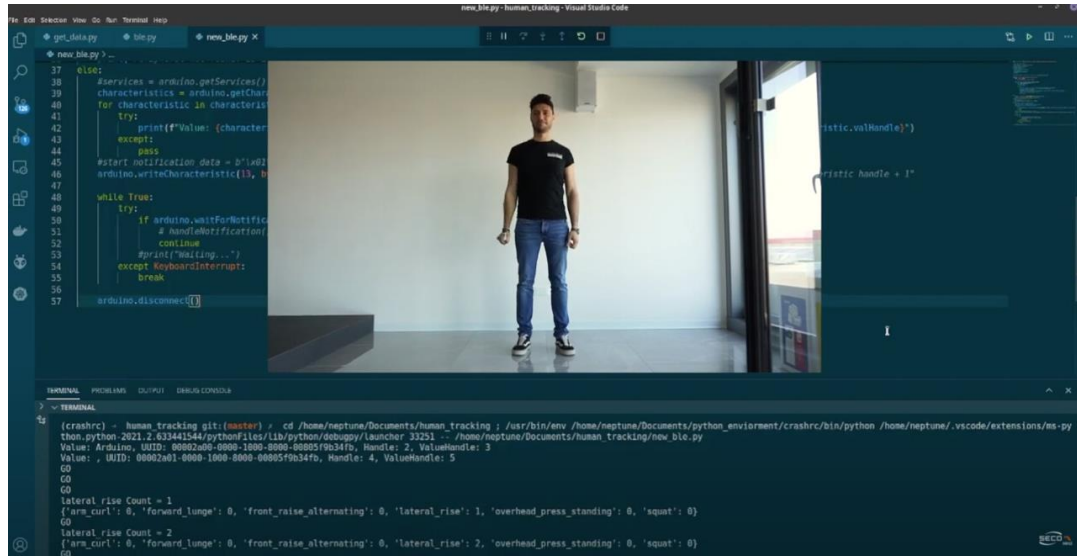
[Landing Page](#)



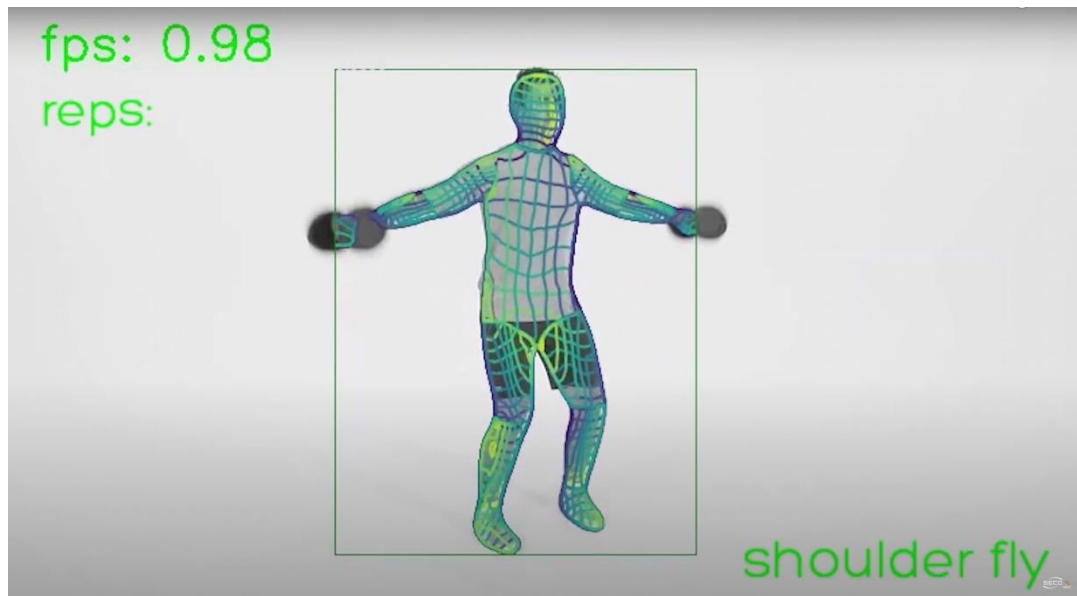
Vertical Applications of CLEA

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

CLEA Fitness App

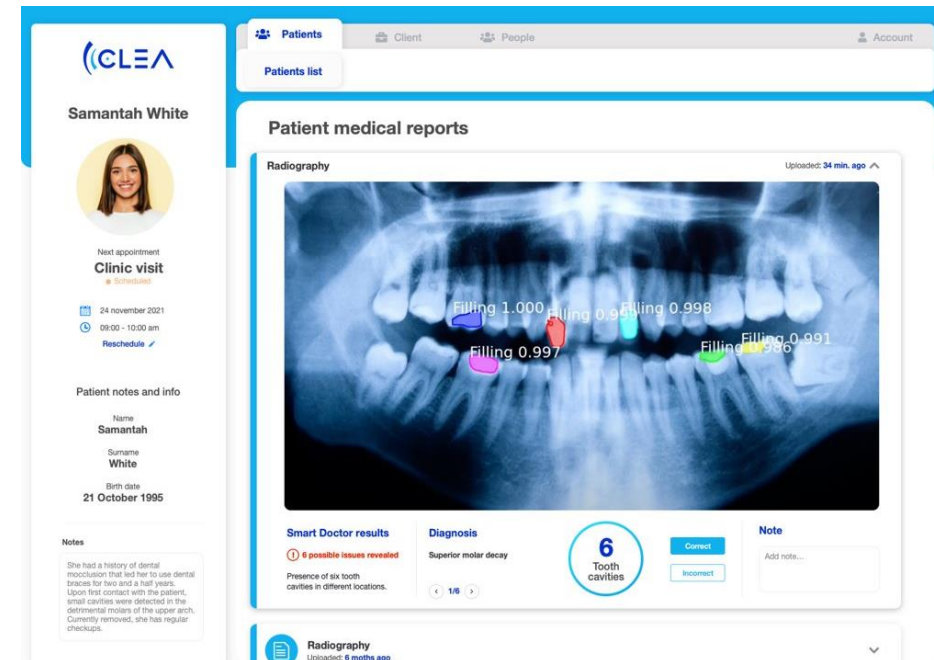


Smart Dumbbell



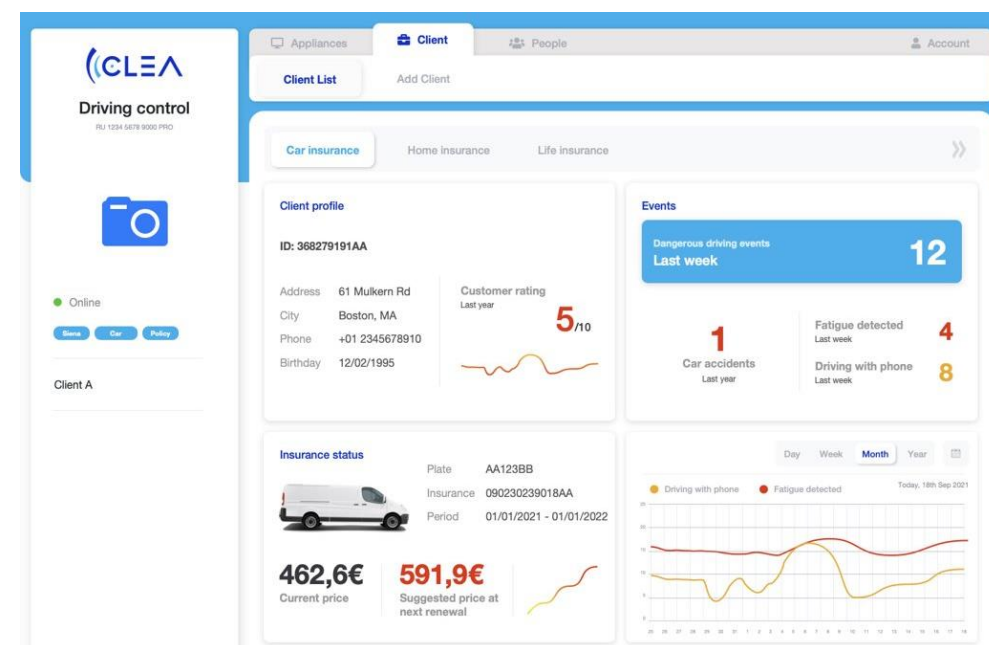
Exercise Recognition & AI Personal Trainer

CLEA Healthcare App



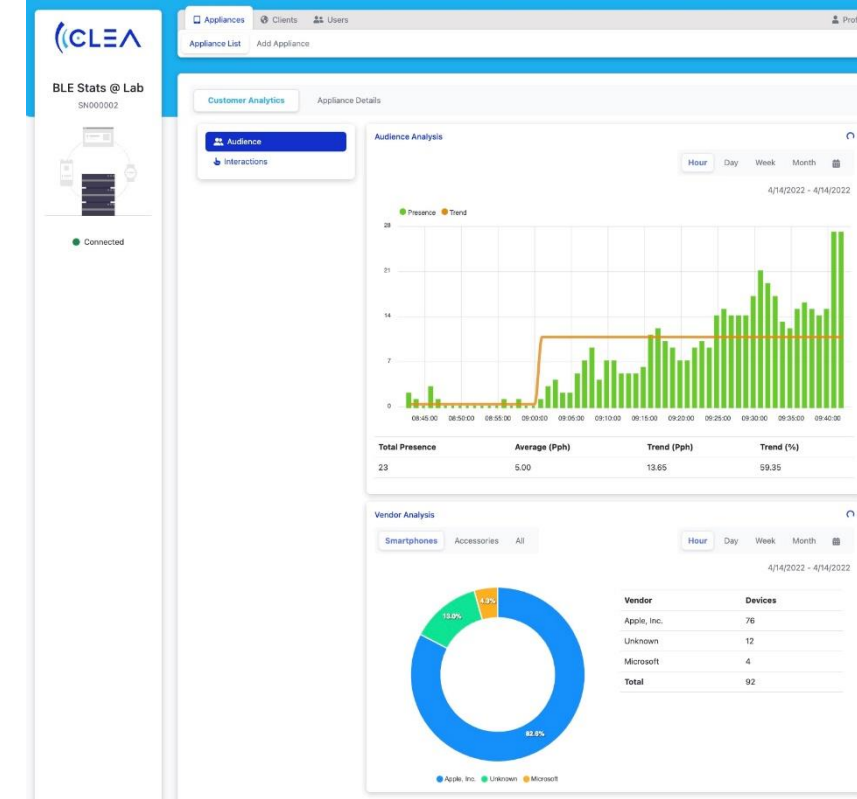
AI Tooth Cavity Detection App

CLEA Automotive App

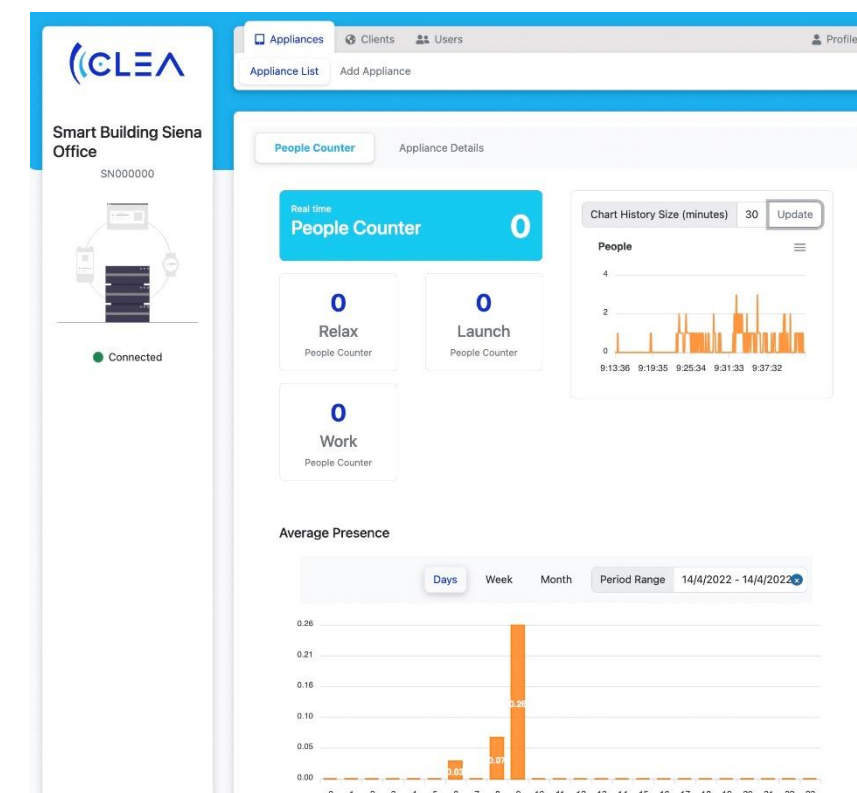


AI Driver concentration App

CLEA for Smart Cities

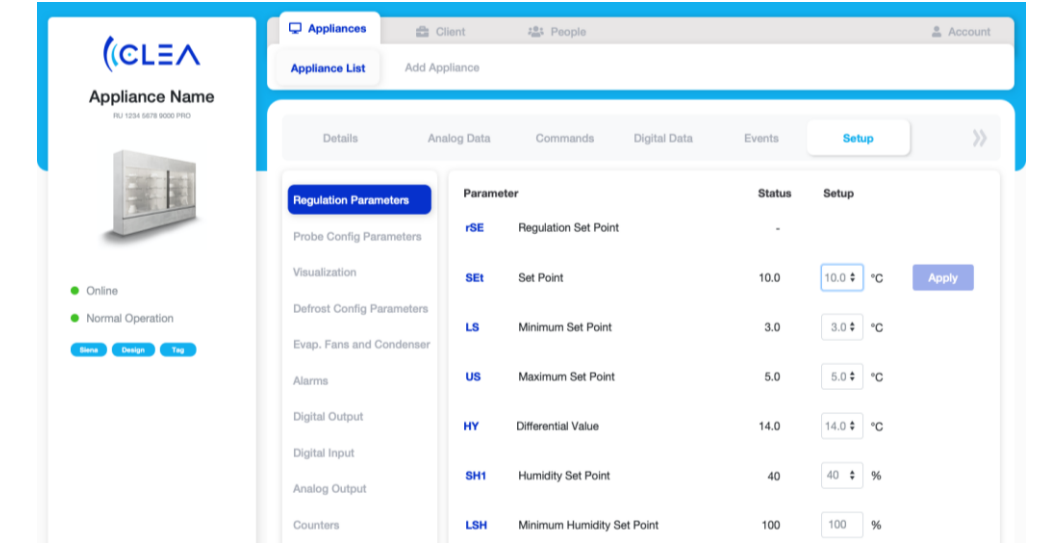


BLE Audience Analysis



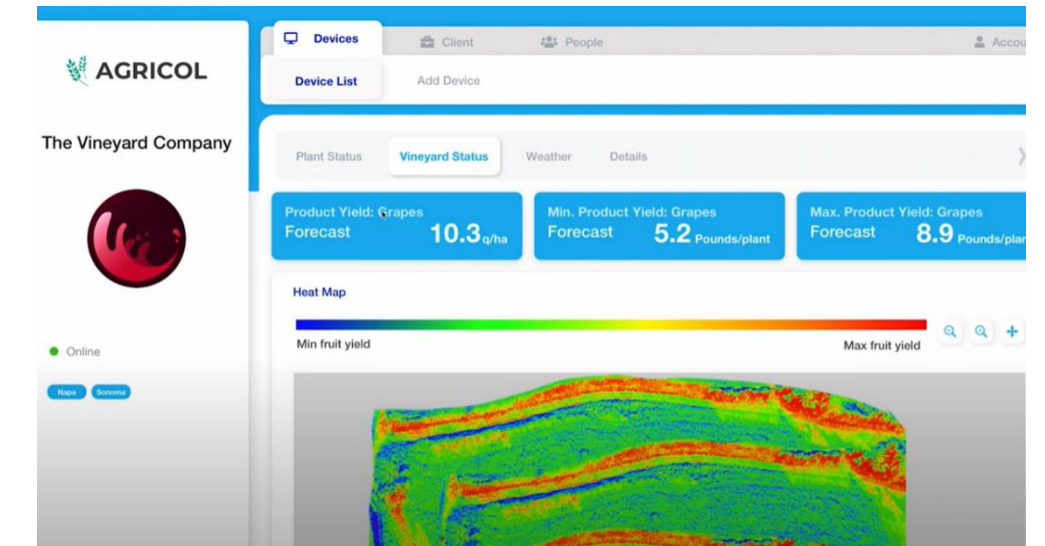
People Counter and Tracking

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.



20 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.



3 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.



5 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
