



Endless ways to the future

SECO: H1 2023 Results and Strategy update presentation

September 13, 2023

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Massimo Mauri
CEO



Lorenzo Mazzini
CFO



Lorenzo Tosi
Investor Relations

Key takeaways from 2023 YTD

Sustained organic growth path continuing



- **H1 2023:** Net sales at **€111.9m**, **+19%** organically vs. H1 2022
- CLEA business at **€10.8m** in H1 2023 (**10%** of sales), **+12%** vs. H1 2022
- **Growth distributed** across **geographical areas** and **verticals**

Gross margin improvement



- Components' market **back to normal**, with margins progressively improving to pre-shortage levels
- CLEA's portion of recurring revenue increasing with many projects under deployment, reducing the weight of NRE
- **GPM** incidence at **49.6%** in H1 2023, improving vs. H1 and FY 2022

Increased profitability



- Adj. EBITDA at **€26.5m** in H1 2023
- **23.7%** of sales, **+32%** vs. H1 2022
- Adj. Net Income at **€12.6m**, **+46%** vs. H1 2022

2023-24 outlook



- Despite the effects of a global economic slowdown, the **organic growth trend**, coupled with robust **profitability**, is expected **to continue** thanks to the visibility provided by order portfolio, design wins and ongoing negotiations

H1 2023 financial highlights

H1 22



H1 23

Net sales

€94.1m



€111.9m

Gross margin

€44.0m



€55.5m

46.8%

49.6%

Adj. EBITDA

€20.1m



€26.5m

21.4%

23.7%

Adj. Net Income

€8.6m



€12.6m

9.2%

11.3%

- Edge computing business growing at **20%** in H1 2023 vs. H1 2022
- CLEA revenue at **€10.8m** in H1 2023 (vs. €9.6m in H1 2022)

- **+26% growth** in H1 2023 vs. H1 2022
- Progressively improving components' market and positive CLEA revenue contribution driven a significant margin expansion

- **+32% growth** in H1 2023 vs. H1 2022
- More than proportional increase vs. revenue growth, thanks to OPEX control

- **+46% growth** in H1 2023 vs. H1 2022
- D&A: +€3.0m higher vs. H1 2022
- Financial expenses: +€0.6M higher vs. H1 2022, largely due to the increase in market interest rates
- Taxes calculated with theoretical tax rate

Q2 2023 vs. Q2 2022: focus on margins

Net Sales

+€5.9m (+12%)

Gross margin

+€5.6m (+23%)

Adj. EBITDA

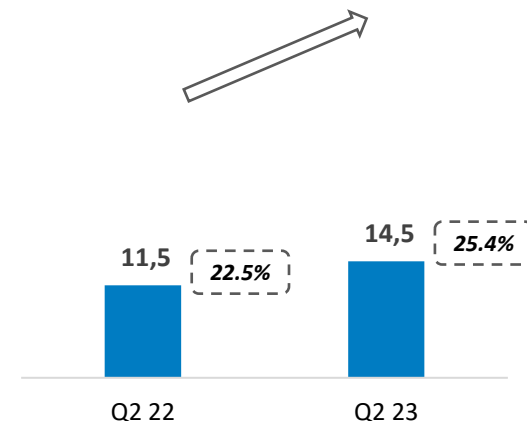
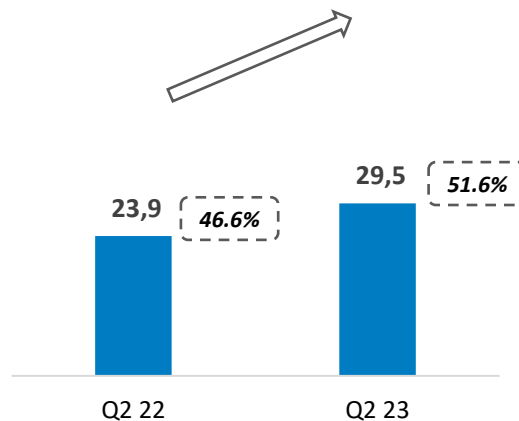
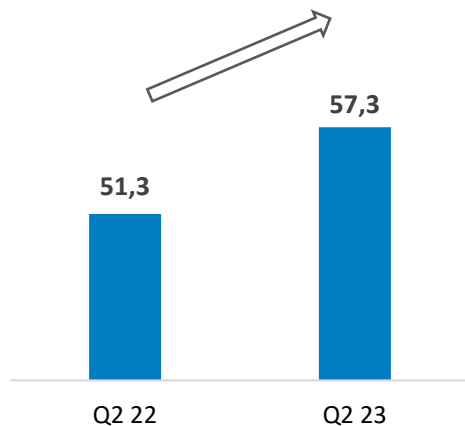
+€3.0m (+26%)

Growth (€m and %)

% of Net Sales (Δbps)

+498bps

+287bps



Net sales

€111.9m

H1 2023 Net sales

+€17.8m

H1 2023 vs. H1 2022

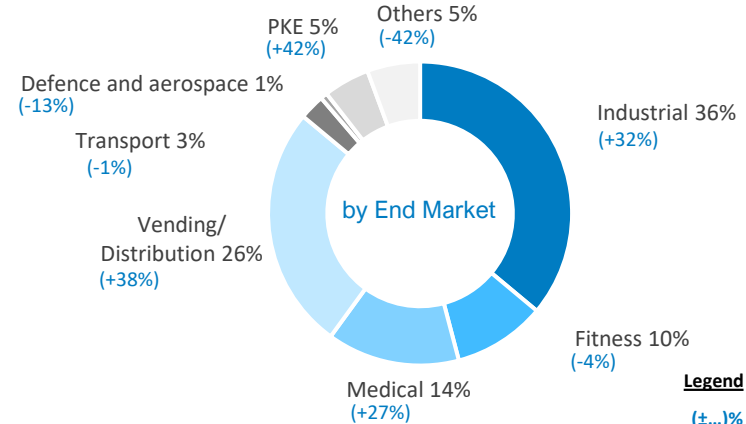
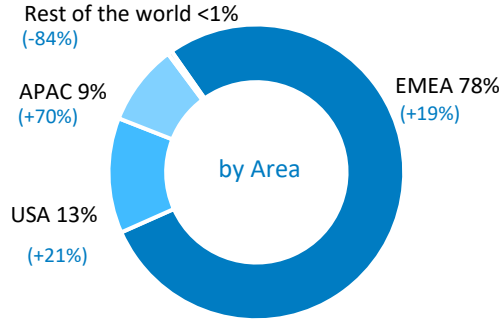
10% of Net sales



€10.8m

H1 2023 CLEA revenue

Net sales breakdown (H1 2023)



Legend

(±...)%

Change vs. H1 2022

- H1 2023 Net sales growing organically by **+19%** vs. H1 2022
- Edge computing business at **+20%** in H1 2023, largely thanks to a growth in the Industrial, Vending, Medical, PKE industries

- CLEA business continuing its expansion trend, hitting **€10.8m** revenue in H1 2023 (**10%** of Net sales)
- Proportion of CLEA recurring revenue increasing to **40%** of total
- EMEA, APAC, USA markets all showing growth trends

Note: percentages may not sum to 100% due to rounding; 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

Adjusted EBITDA

€26.5m

H1 2023 Adj. EBITDA

+€6.4m

H1 2023 vs. H1 2022

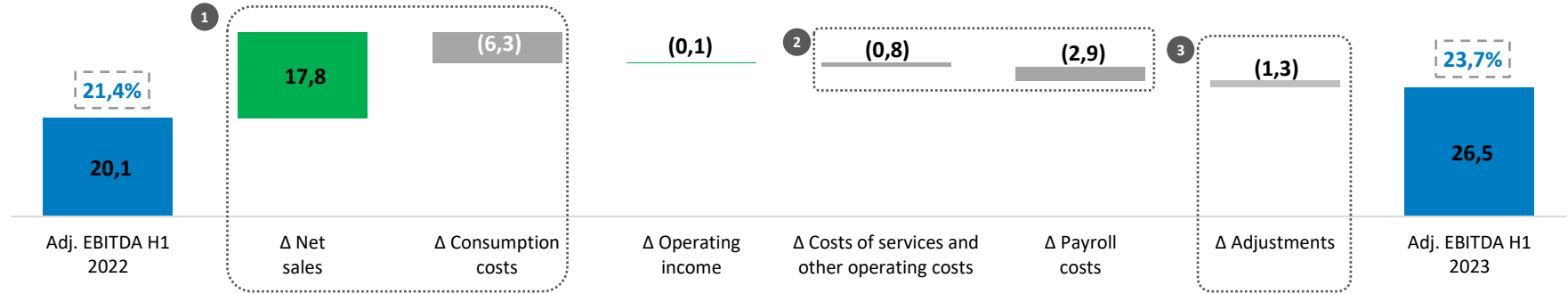
+32%

% growth vs. H1 2022

23.7%

of Net sales

Adjusted EBITDA bridge (€m)



1 Gross margin effect

- Gross margin at **+26%** vs. H1 2022, mainly thanks to **business expansion** (in Edge computing and CLEA segments) and **decrease in components' price** following market stabilization

2 OPEX

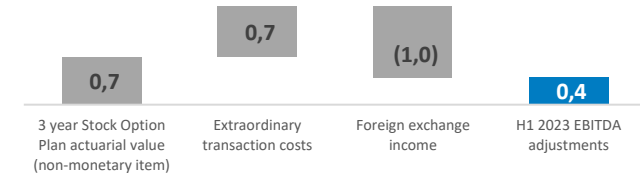
- Business growth allowing for **OPEX control**

OPEX (% of Net sales)

30% H1 2022 → **29%** H1 2023

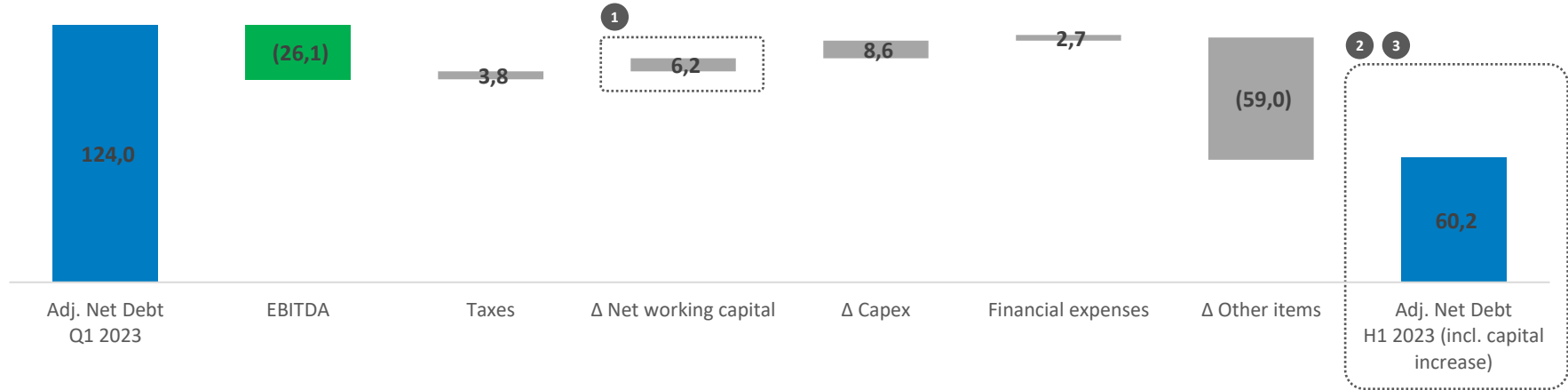
3 Adjustments

- H1 2023 EBITDA Adjustments (€m)



Adjusted Net financial position

Adjusted Net debt bridge (€m)

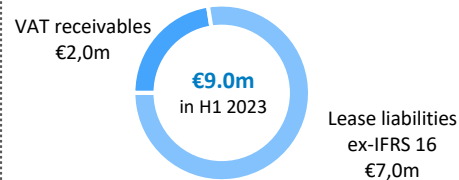


1 Δ Net working capital

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



2 Net debt Adjustments



3 7-Industries capital increase

- €65M capital increase completed in Q2 2023
- Significantly lowered leverage and **increased financial flexibility** to support SECO's expansion plans

Leverage
(Adj. Net Debt / Adj. EBITDA)

2.7x FY 2022 → **1.2x** LTM H1 2023

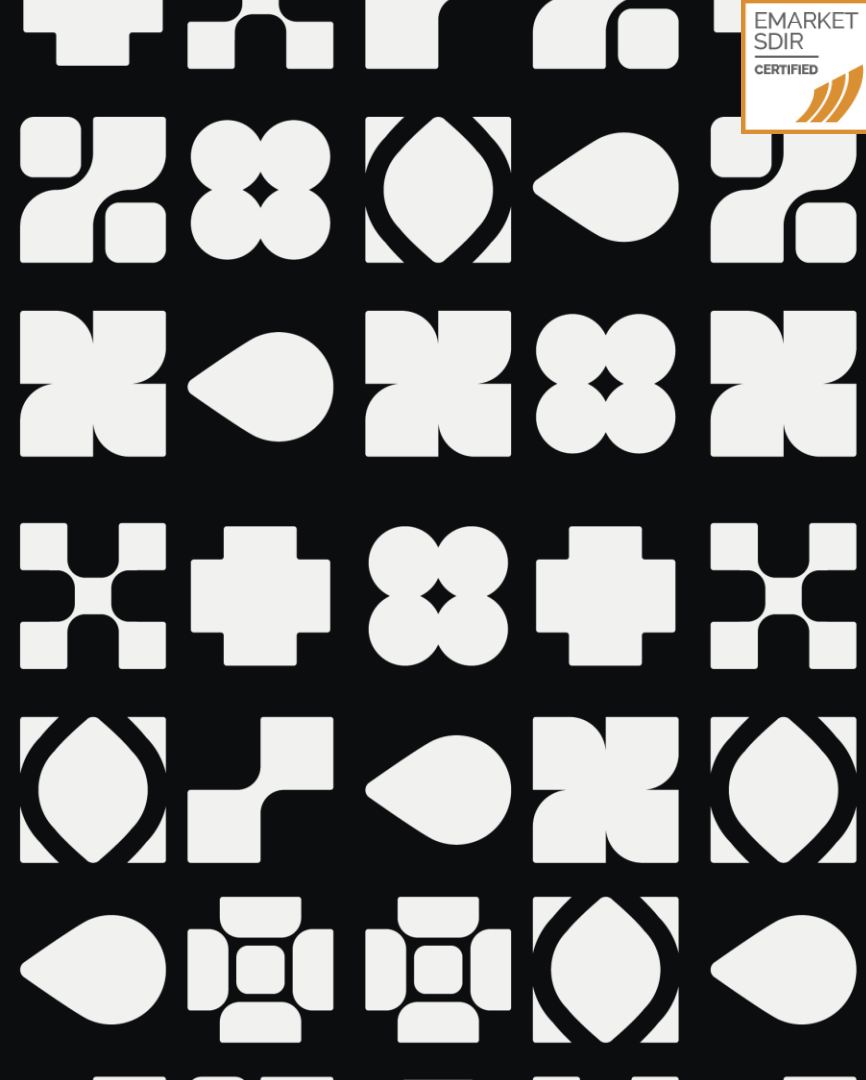


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Strategy update

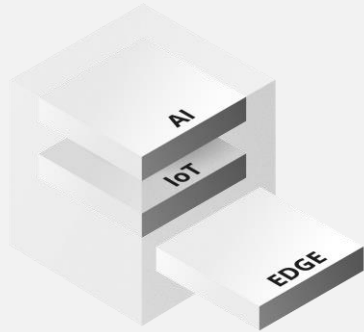
Get ready for the unveiling of our new brand identity

September 27, 2023 –
Launch of the new website





Our end-to-end approach

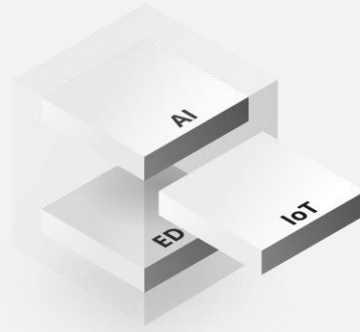
SECO technologies to fully enable **AI at the edge**



Edge 

Unleashing performance at the edge

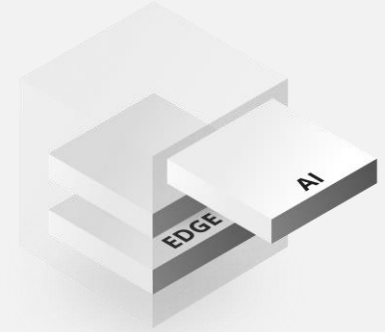
 AI accelerators powered by 



IoT 



Streamlined connectivity for thriving ecosystems





AI 

Reshaping industries with impactful AI solutions

 Upcoming: a new AI solution 

Redefining the Industrial world thanks to AI

Data analytics



UX design



See some use cases



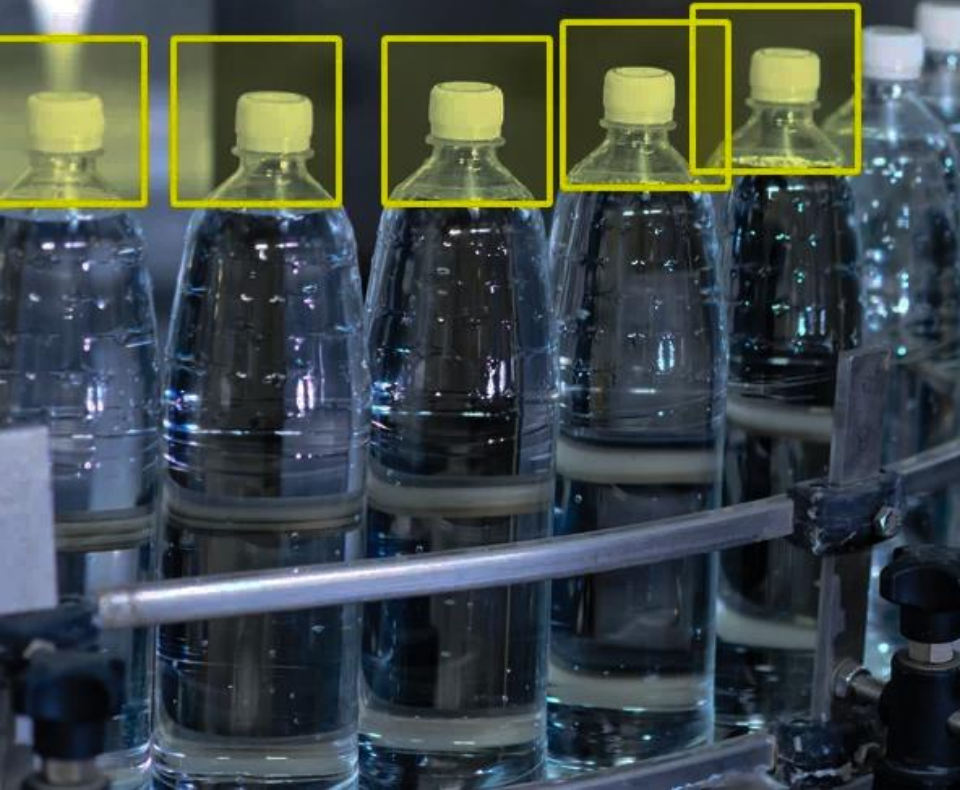
Maintenance & support

Industrial Automation



Real-Time quality inspection

Industrial and Manufacturing



Autonomous robotics

Logistics



Image processing & analysis

Medical



Automated checkout & real-time food recognition

Smart Retail

sponges 98.92%



pineapple 99.86%

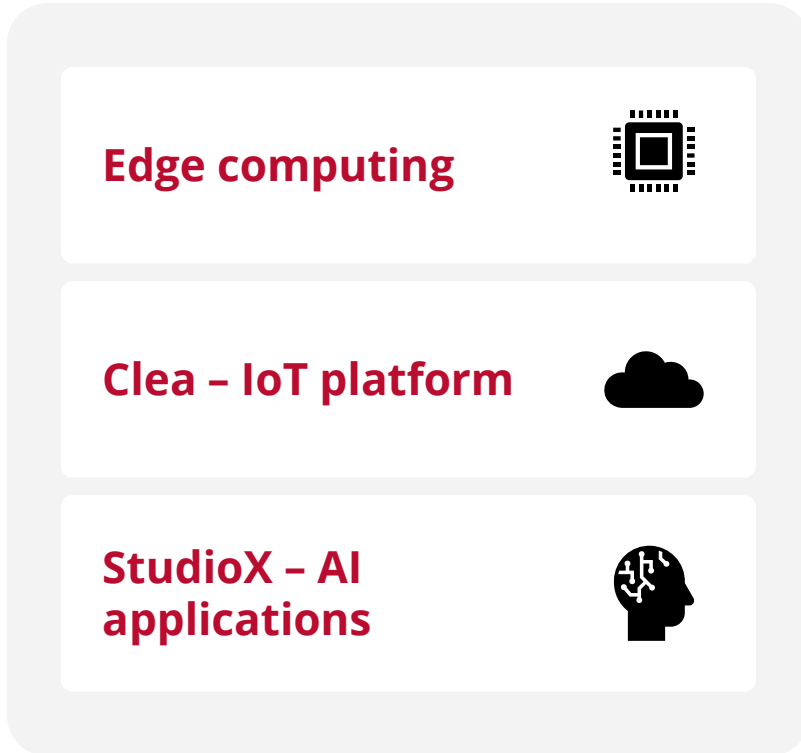


apples 98.22%



A modular offering for a complete proposition

Combinable as building blocks: there's a solution for any customer need



**End-to-end
solution**



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Q&A



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Annex



SECO in a snapshot

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



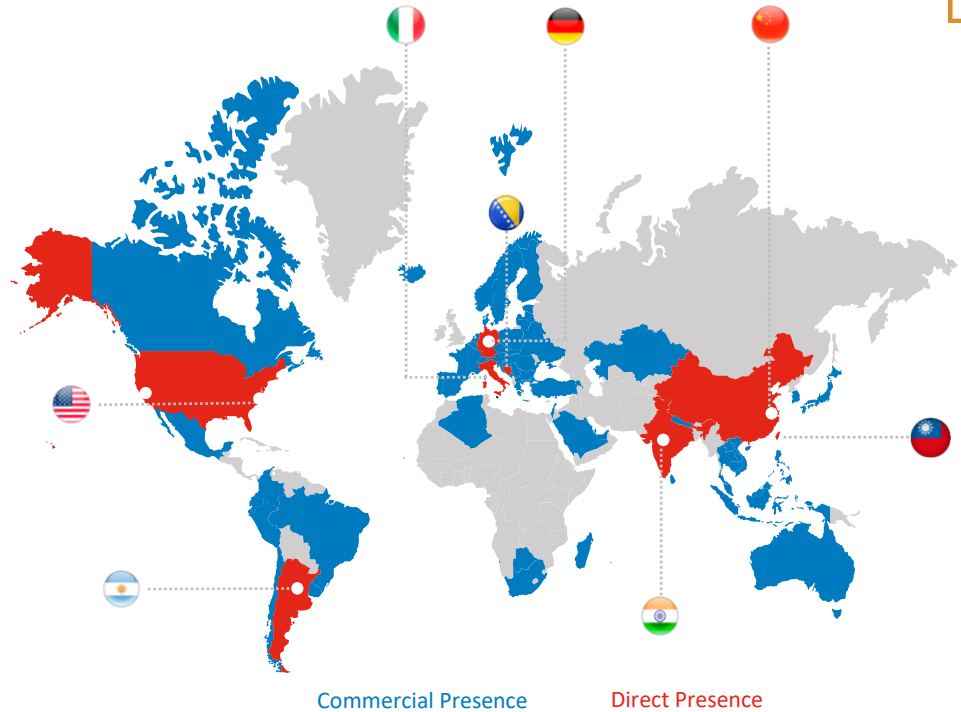
~ 8-10%
of revenue invested in R&D every year



10 R&D centers
5 production plants



8 countries



Our production plants



Financials overview

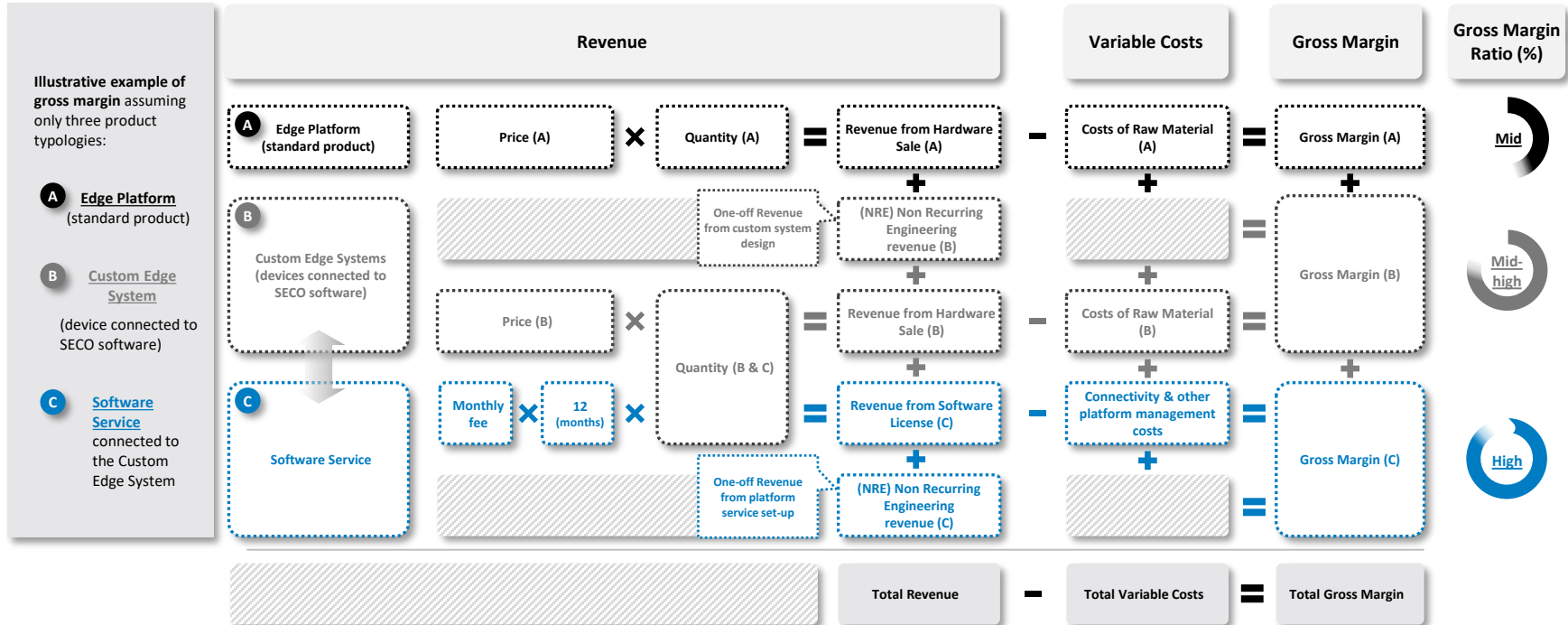
Income Statement

€mln	H1 2022	H1 2023
Net Sales	94,1	111,9
Consumption Costs	(50,1)	(56,4)
Gross Margin	44,0	55,5
<i>% on Net Sales</i>	<i>46,8%</i>	<i>49,6%</i>
Other revenues	2,2	2,1
Personnel costs	(16,8)	(19,8)
Other Opex	(11,1)	(12,7)
Exchange gains/losses	0,2	1,0
EBITDA	18,4	26,1
<i>% on Net Sales</i>	<i>19,6%</i>	<i>23,4%</i>
EBITDA ADJ	20,1	26,5
<i>% on Net Sales</i>	<i>21,4%</i>	<i>23,7%</i>
Depreciation	(6,5)	(9,5)
EBIT	11,8	15,6
<i>% on Net Sales</i>	<i>12,5%</i>	<i>14,0%</i>
Financial expenses	(2,2)	(2,7)
Tax	(3,0)	(3,8)
Net Income	6,8	10,1
<i>% on Net Sales</i>	<i>7,2%</i>	<i>9,0%</i>

Balance Sheet

€mln	FY 2022	H1 2023
Net Working Capital	80,5	94,6
Total Fixed Assets	311,1	309,2
Other non-current assets	3,9	5,2
Provisions and other non-current liabilities	(30,1)	(30,1)
Net Invested Capital	365,4	378,9
Net Financial Position	128,8	69,2
Net Financial Position ADJ.	118,8	60,2
Total Equity	236,6	309,7
Total Funds	365,4	378,9

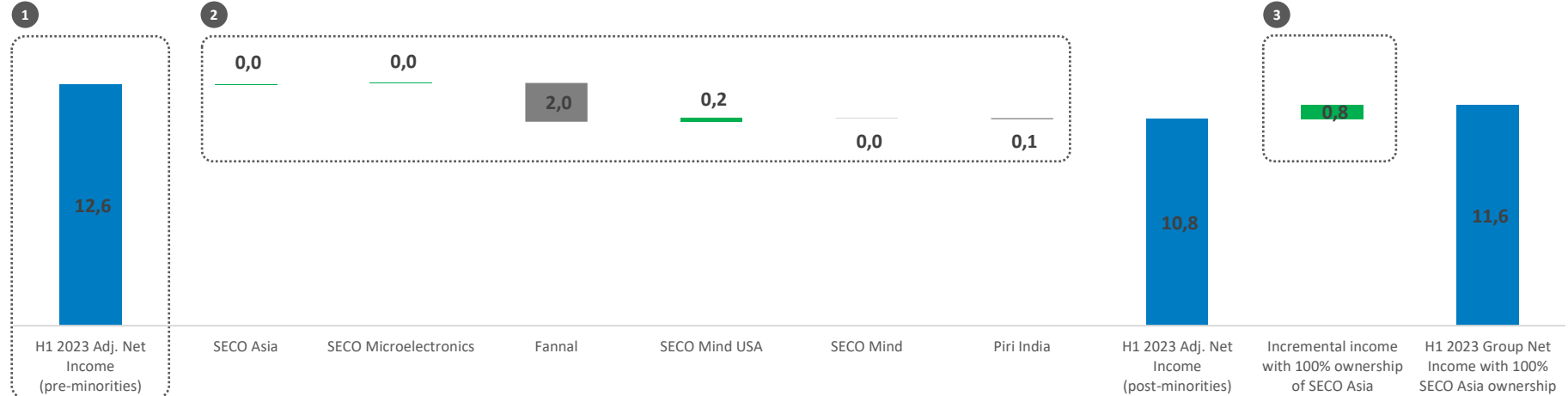
Revenue and cost model



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

Adjusted Net Income

Adjusted Net income bridge (€m)



1 Adj. Net income

- D&A: +€3.0m higher vs. H1 2022
- Financial expenses: + €0.6m higher vs. H1 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 H1 2023, most of minority interests concentrated into Fannal, in which SECO S.p.A. 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 S.p.A., can be bought by SECO at the Simest S.p.A. entry valuation (€3.4m)



€0.8m positive effect on post-minorities Net income after acquisition of SECO Asia minority share

Business model

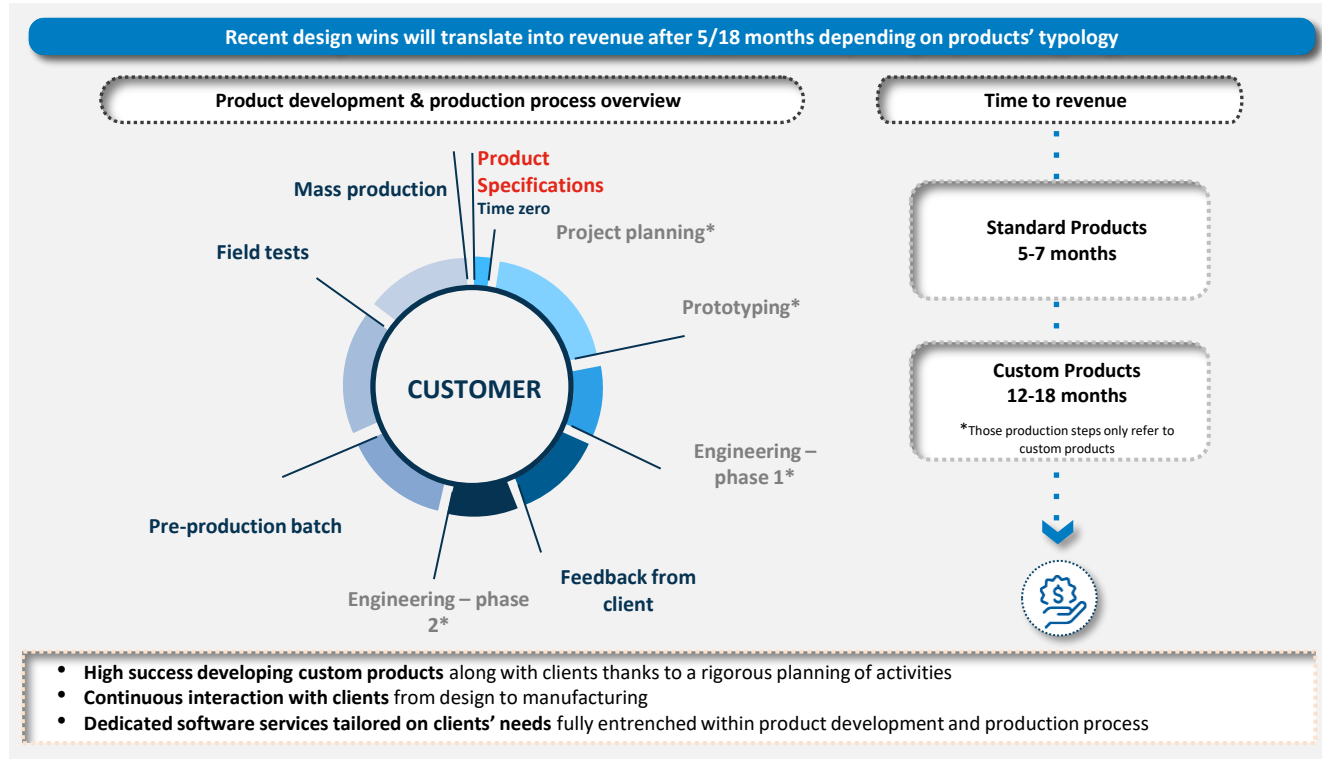
High revenue visibility



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





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Thank you

www.seco.com