

SECO: 9M 2023 Results and Business update presentation

November 15, 2023

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Massimo Mauri
CEO



Lorenzo Mazzini
CFO



Lorenzo Tosi
Investor Relations

Key takeaways from 2023 YTD

Resilient business model



- **9M 2023:** Net sales at **€162.1m**, **+12%** organically vs. 9M 2022
- Clea business at **€16.3m** in 9M 2023 (**10%** of sales), **+12%** vs. 9M 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 consolidating with many projects under deployment
- **GPM** incidence at **49.5%** in 9M 2023, **+248 bps** vs. 9M 2022

Sustained profitability



- Adj. EBITDA at **€37.3m** in 9M 2023 (**23.0%** of sales), **+16%** vs. 9M 2022
- Adj. Net Income at **€16.2m** in 9M 2023, **+8%** vs. 9M 2022

2023-24 outlook



- **Q4 2023: good revenue trend** expected
- **Clea** business to continue its expansion, seen at **~€7M** in **Q4 2023**
- Despite a general economic slowdown, SECO's **strategic positioning** and the **uniqueness** of its **offering** allow to **significantly outperform the market**, seizing the **enormous opportunities** offered by digitalization

9M 2023 financial highlights

9M 22 ⇒ 9M 23

Net sales

€144.8m ⇒ €162.1m

- Edge computing business growing at **12%** in 9M 2023 vs. 9M 2022
- Clea revenue at **€16.3m** in 9M 2023 (vs. €14.5m in 9M 2022)

Gross margin

€68.1m ⇒ €80.3m
47.1% ⇒ 49.5%

- **+18% growth** in 9M 2023 vs. 9M 2022
- Progressively improving components' market and positive Clea revenue contribution driven a significant margin expansion

Adj. EBITDA

€32.1m ⇒ €37.3m
22.1% ⇒ 23.0%

- **+16% growth** in 9M 2023 vs. 9M 2022
- More than proportional increase vs. revenue growth, thanks to Gross margin effect

Adj. Net Income

€15.0m ⇒ €16.2m
10.4% ⇒ 10.0%

- **+8% growth** in 9M 2023 vs. 9M 2022
- D&A: +€4.6m higher vs. 9M 2022
- Financial expenses: +€1.7m higher vs. 9M 2022, largely due to the increase in market interest rates
- Taxes calculated with theoretical tax rate

Net sales

€162.1m

9M 2023 Net sales

+€17.4m

9M 2023 vs. 9M 2022



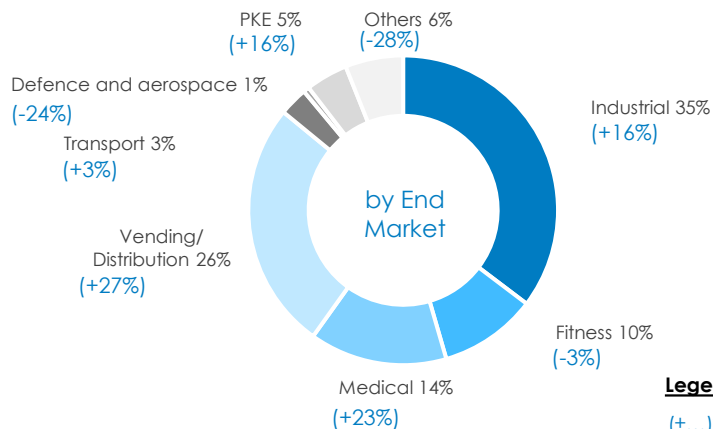
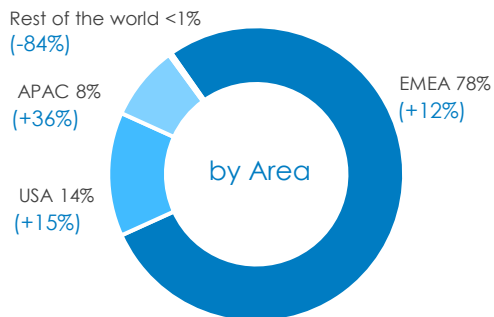
10% of Net sales



€16.3m

9M 2023 Clea revenue

Net sales breakdown (9M 2023)



Legend

(±...)% Change vs. 9M 2022

- 9M 2023 Net sales growing organically by **+12%** vs. 9M 2022
- Edge computing business at **+12%** in 9M 2023, largely thanks to a growth in the Industrial, Vending, Medical, PKE industries

- Clea business continuing its expansion trend (**10%** of Net sales), hitting **€16.3m** revenue in 9M 2023 (**+12%** vs. 9M 2022), of which **€5.5m** in Q3 2023
- Proportion of Clea recurring revenue at **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

€37.3m

9M 2023 Adj. EBITDA

+€5.2m

9M 2023 vs. 9M 2022

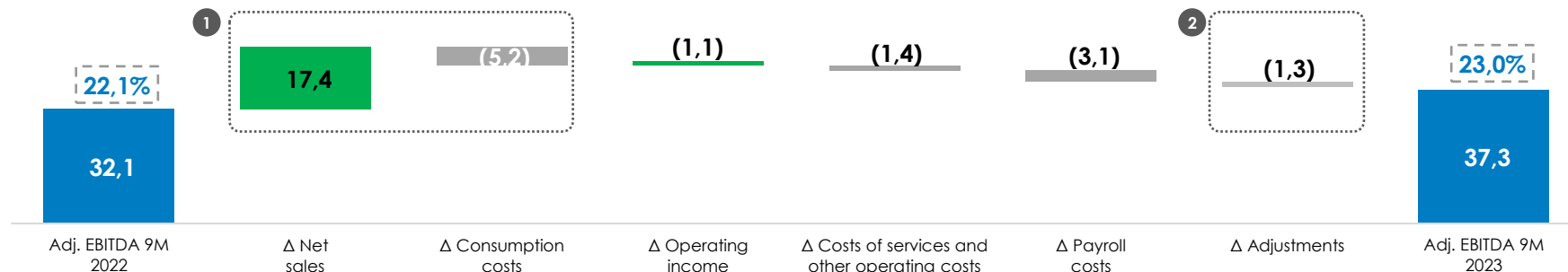
+16%

% growth vs. 9M 2022

23.0%

of Net sales

Adjusted EBITDA bridge (€m)



1 Gross margin effect

- Gross margin at **+18%** vs. 9M 2022, mainly thanks to **business expansion** (in Edge computing and Clea segments) and **decrease in components' price** following market stabilization

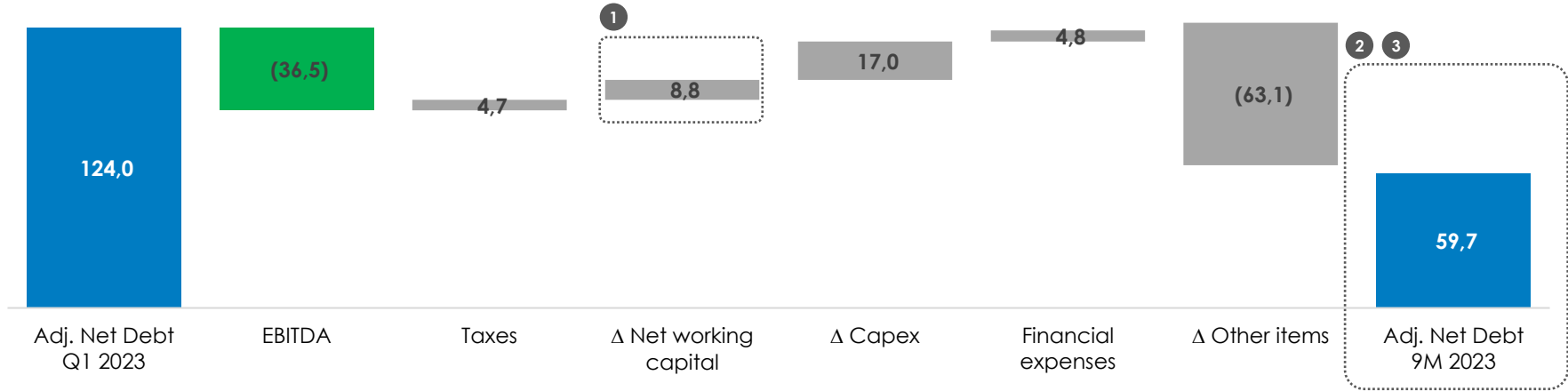
2 Adjustments

- 9M 2023 EBITDA Adjustments (€m)



Adjusted Net financial position

Adjusted Net debt bridge (€m)

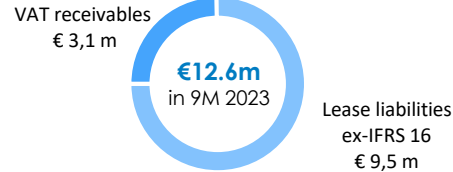


1 Δ Net working capital

- Change mainly due to increase in trade receivables to sustain business growth (€m)



2 Net debt Adjustments



3 7-Industries capital increase

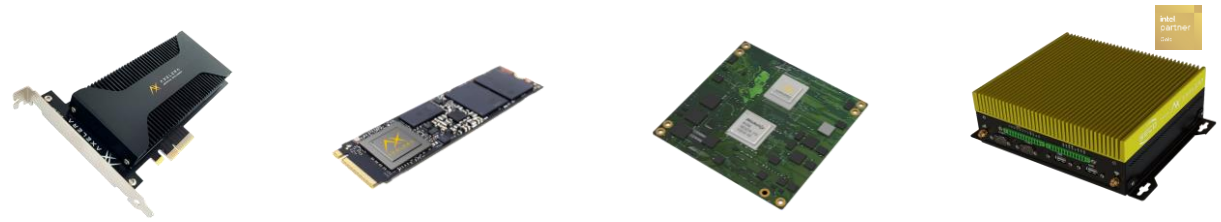
- €65M capital increase completed in Q2 2023
- Significantly lowered leverage and **increased financial flexibility** to support SECO's expansion plans

Leverage
(Adj. Net Debt / Adj. EBITDA)

2.7x FY 2022 **▶** **1.2x** LTM 9M 2023

Business update

AI Edge Accelerator



Development of a **full line of SECO products** dedicated to **real-time AI processing** on the edge, based on **Axelera's chipset**

Dec 2023

Q2 2024

Q3 2024

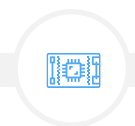
Q3 2024



Titan 300 AI Intel Fanless PC with M.2 pre-series



Sampling COM Express



Pre-series COM Express



PCIe & M.2



On track with the product roadmap

Modular Vision Family

The Future of Industrial HMI



Innovation

Unprecedented flexibility and adaptability to Industrial HMI solutions



Versatility

Ideal for a variety of vertical markets, thanks to multiple mounting options, screen sizes, and core computers



Ready-to-Use

Quick setup and installation, saving time and effort



Value for the Market

Flexibility, scalability, and convenience make Modular Vision a game-changer in the Industrial HMI market



Clea business

Supporting the diffusion of our IoT platform

Boosting Clea market penetration



Ready to kickstart the worldwide marketing of Clea



Reduced NRE fee, to faster get new and more customers



EV Charging Station

On the road to create a full offer of end-to-end, plug-and-play solutions by vertical

Hardware + Clea: a **complete** and **integrated** product



Endless ways to EV Charger



Las Vegas
January 9-12 2024

Transforming the EV Charger Market:
New AI-Driven Revenue Opportunities

A vertical trade show booth display for SECO. At the top, a black charging cable is plugged into a station. Below it, a large digital screen displays promotional content. The screen features the headline 'Your next automotive infotainment system thanks to the SECO solution' and lists several services: 'CLEA' (Born connected, Fully Integrated, Legislation), 'Under control' (Vehicle control, Vehicle diagnostics), and 'AI-Driven Service' (Vehicle-to-cloud, Vehicle-to-vehicle). Below this, it says 'Enhance your business with SECO apps' and lists 'Portfolio Management', 'AI-Driven Analytics', and 'Custom Tools'. At the bottom, it mentions 'MAIA' (Connect Red 2.1 module, RDP, LMS & Applications). The SECO logo is visible at the bottom of the display.

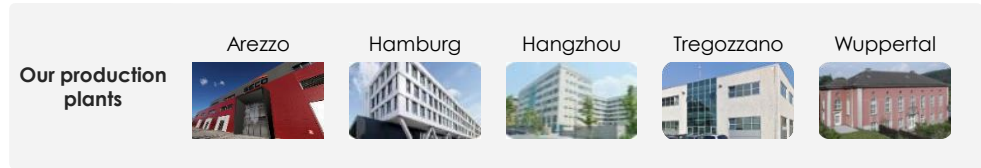
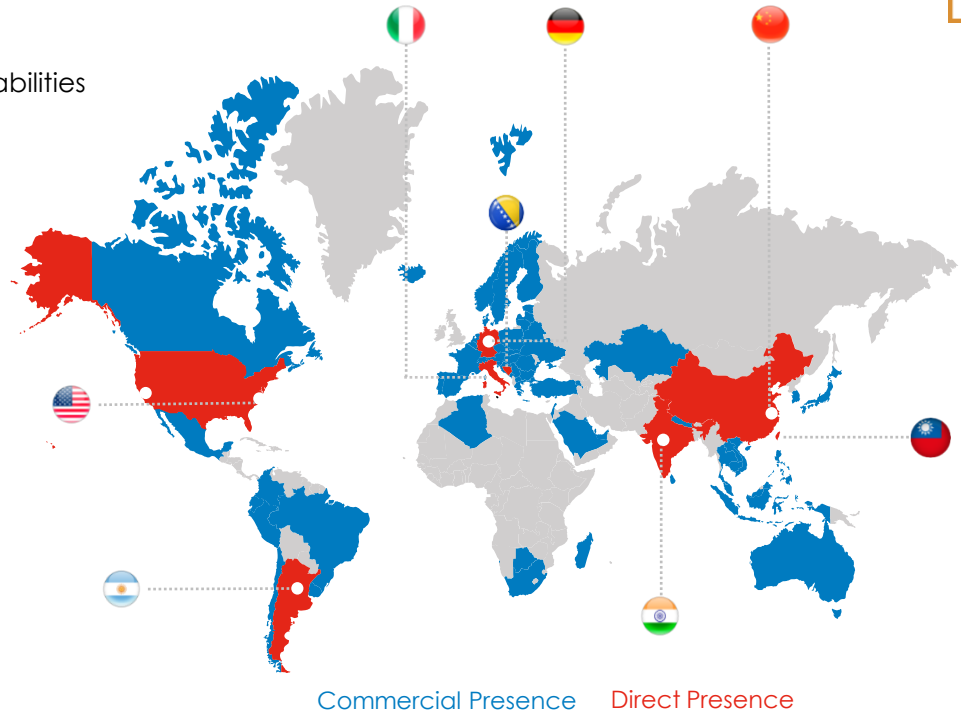
Q&A

SECO

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

Financials overview

Income Statement

€mln	9M 2022	9M 2023
Net Sales	144,8	162,1
Consumption Costs	(76,6)	(81,8)
Gross Margin	68,1	80,3
% on Net Sales	47,1%	49,5%
Other revenues	3,5	2,4
Personnel costs	(25,9)	(29,0)
Other Opex	(16,2)	(18,3)
Exchange gains/losses	0,5	1,1
EBITDA	29,9	36,5
% on Net Sales	20,7%	22,5%
EBITDA ADJ	32,1	37,3
% on Net Sales	22,1%	23,0%
Depreciation	(9,9)	(14,5)
EBIT	19,6	20,9
% on Net Sales	13,5%	12,9%
Financial expenses	(3,1)	(4,8)
Tax	(4,9)	(4,7)
Net Income	12,0	12,5
% on Net Sales	8,3%	7,7%

Balance Sheet

€mln	FY 2022	9M 2023
Net Working Capital	80,5	97,1
Total Fixed Assets	311,1	312,6
Other non-current assets	3,9	5,4
Provisions and other non-current liabilities	(30,1)	(29,9)
Net Invested Capital	365,4	385,3
Net Financial Position	128,8	72,3
Net Financial Position ADJ.	118,8	59,7
Total Equity	236,6	313,0
Total Funds	365,4	385,3

Revenue and cost model

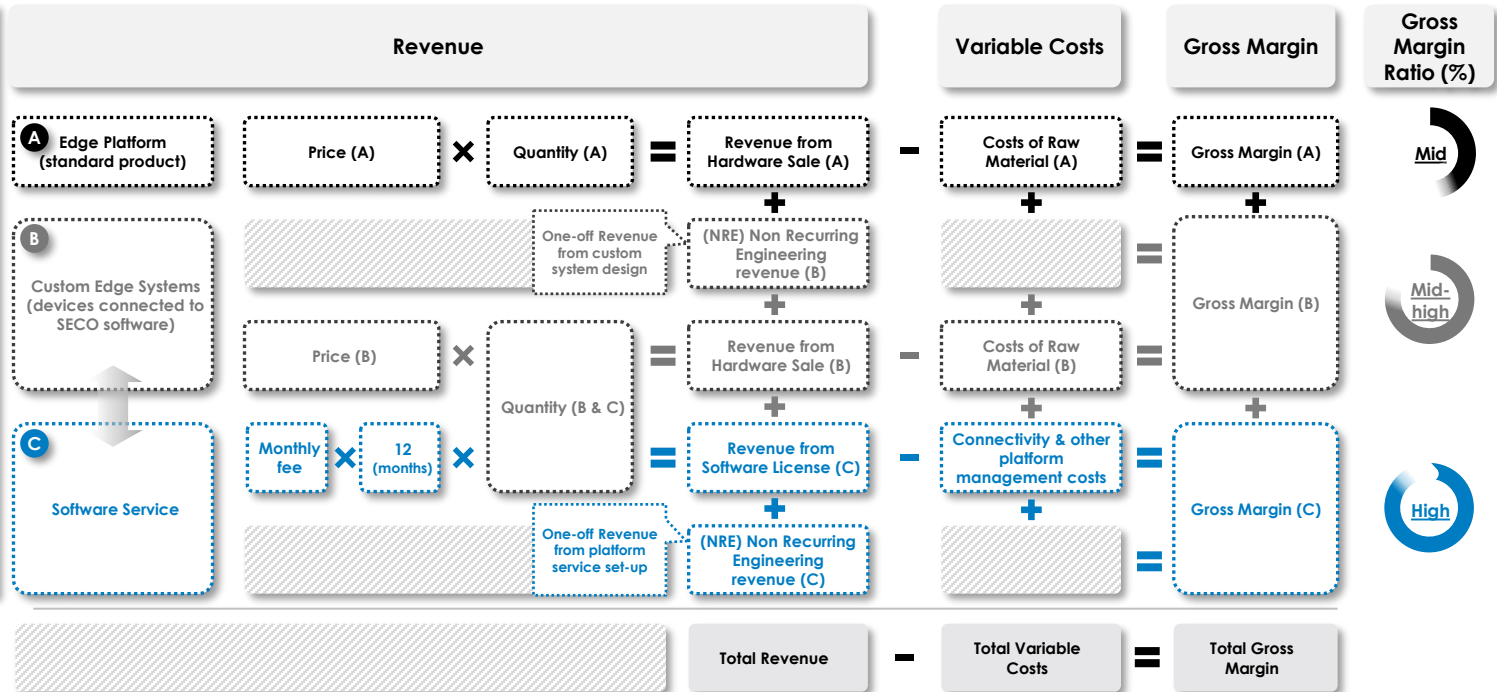
Illustrative example of gross margin assuming only three product typologies:

A Edge Platform (standard product)

B Custom Edge System

(device connected to SECO software)

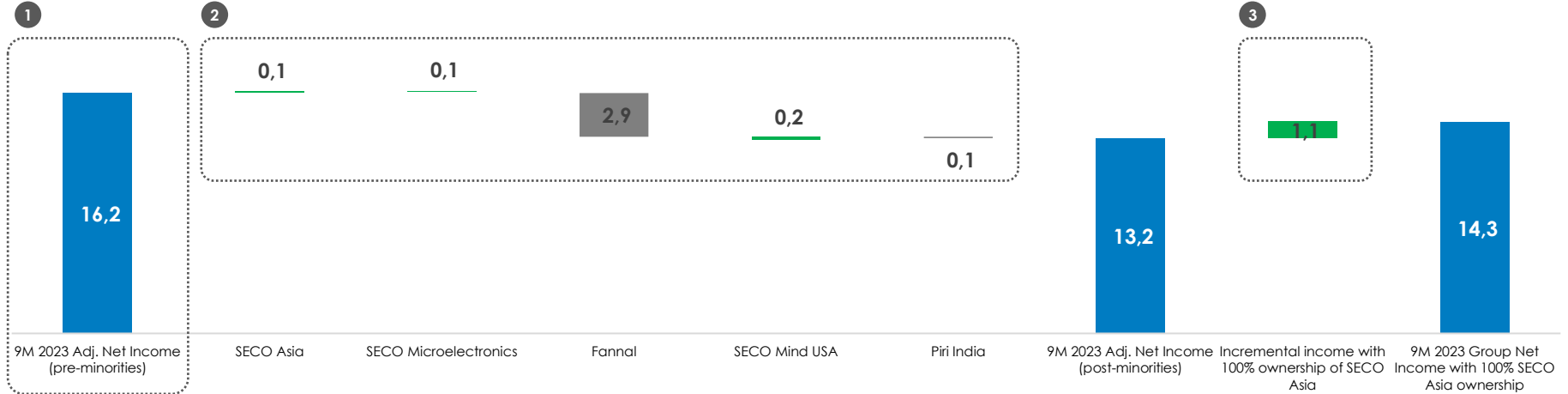
C Software Service connected to the Custom Edge System



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: +€4.6m higher vs. 9M 2022
- Financial expenses: + €1.7m higher vs. 9M 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 9M 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)



€1.1m 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)

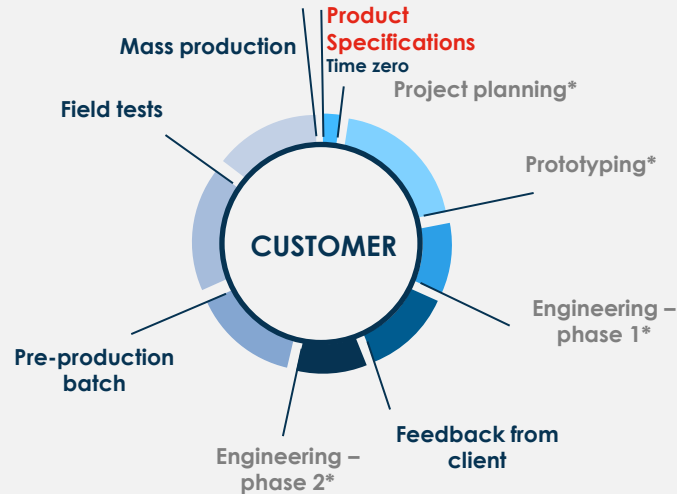
Order backlog coverage
6-7 months

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

Thank you

www.seco.com

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