



1H 2024 Results & Business update presentation

September 12, 2024



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Presenting today



Massimo Mauri

Chief Executive Officer



Lorenzo Mazzini

Chief Financial Officer



Clarence Nahan

Head of Corp. Dev. & IR

Key takeaways from 1H 2024

More resilient revenues in a challenged sector

- **1H24**: Net sales at **€95.3m**, **down 14.8%** vs. 1H23, with **2Q24 slightly up** vs. 1Q24
- **Resilient historical client base** in the Edge computing business
- Clea revenues at **€12.6m** in 1H24 (**13.2%** of sales), **up 359 bps** vs. 1H23

Continuously Improving GPM YoY

- **GPM** incidence at **52.7%** in 1H24, **up 312 bps** vs. 1H23
- Reinforced by our **unique business model**, **product offering** and **growing Clea contribution**
- 2Q24 GPM slightly impacted by an **unfavorable client / product mix**

EBITDA hit by unfavorable mix

- Adj. EBITDA at **€15.8m** in 1H24 (**16.6%** of sales), **down 40.4%** vs. 1H23
- 2Q24 weakness driven both **GPM compression** and **higher Opex incidence on Sales**
- Adj. Net Income at **€3.9m** in 1H24

Strong Net Financial Position

- **Stable Net Debt level at 1.4x**, supporting SECO's future expansion plans
- **Reduction in inventory** and **increase in trade payables**, partly offsetting the increase in trade receivables

Update on current market environment

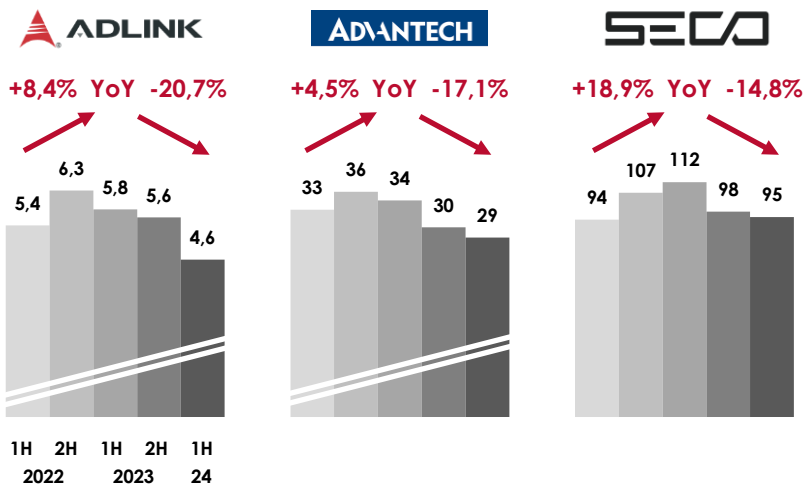
SECO has been one of the main beneficiaries of the unprecedented shortage situation between 2020 and 2022

Our revenues grew 1.6x over the period and we added over 100 new clients to our global portfolio

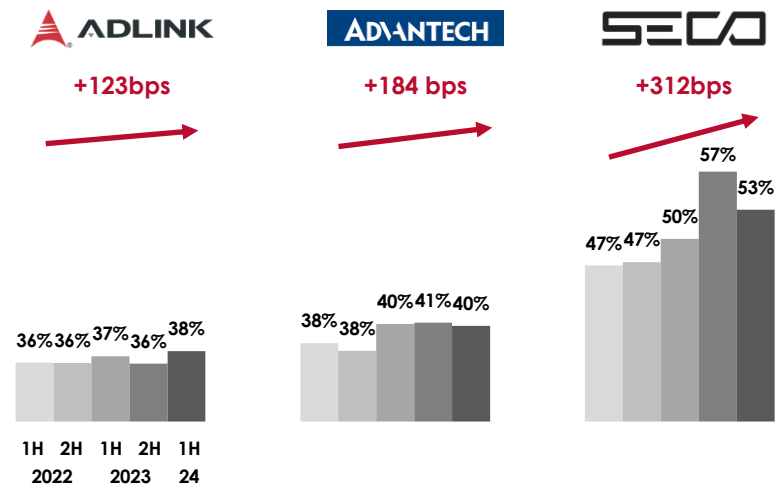
We have since been facing a cycle where the available capacity our industrial end-market clients has moved from tension to excess

As we are adapting to this demand normalization and inventory adjustments, we have demonstrated resilience in navigating this challenging environment, limiting the impact vs. the competition while significantly strengthening our gross margin.

Our business model is amongst the most resilient in the sector



Allowing us to defend some of the highest GPM amongst peers



1H 2024 financial highlights

1H 23 ⇒ 1H 24

Net sales

€111.9m ⇒ €95.3m

Gross margin

€55.5m ⇒ €50.3m

{ 49.6% }

{ 52.7% }

Adj. EBITDA

€26.5m ⇒ €15.8m

{ 23.7% }

{ 16.6% }

Adj. Net Income

€12.6m ⇒ €3.9m

{ 11.3% }

{ 4.1% }

- Edge computing business contraction due to different market conditions: customers destocking in 1H24 vs. high demand against shortage in 1H23
- Clea revenue at **€12.6m** in 1H24 vs. €10.8m in 1H23 **(+17%)**

- **+312 bps** 1H24 vs. 1H23 margin increase driven by the higher contribution of Clea, coupled with more favorable conditions in the components market
- Gross margin reduction due to contraction in business volume

- Pressure on profitability explained by Gross margin effect and unfavorable Edge product mix
- **-40%** in 1H24 vs. 1H23

- D&A: +€1.3m higher vs. 1H23
- Financial expenses under control: -€2.1m vs. 1H23
- **-69%** in 1H24 vs. 1H23
- Taxes calculated with theoretical tax rate

Net sales

€95.3m

1H 2024 Net Sales

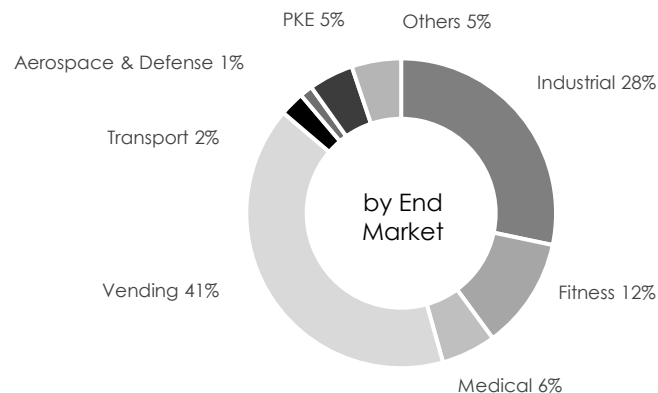
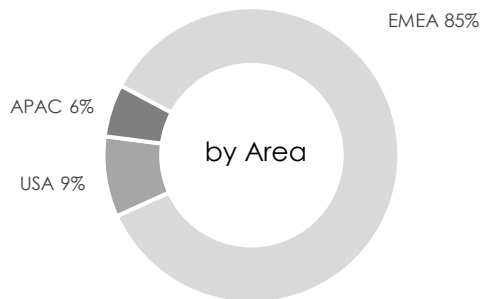


13% of
Net sales

€12.6m

1H 2024 Clea revenue

Net sales breakdown (1H 2024)

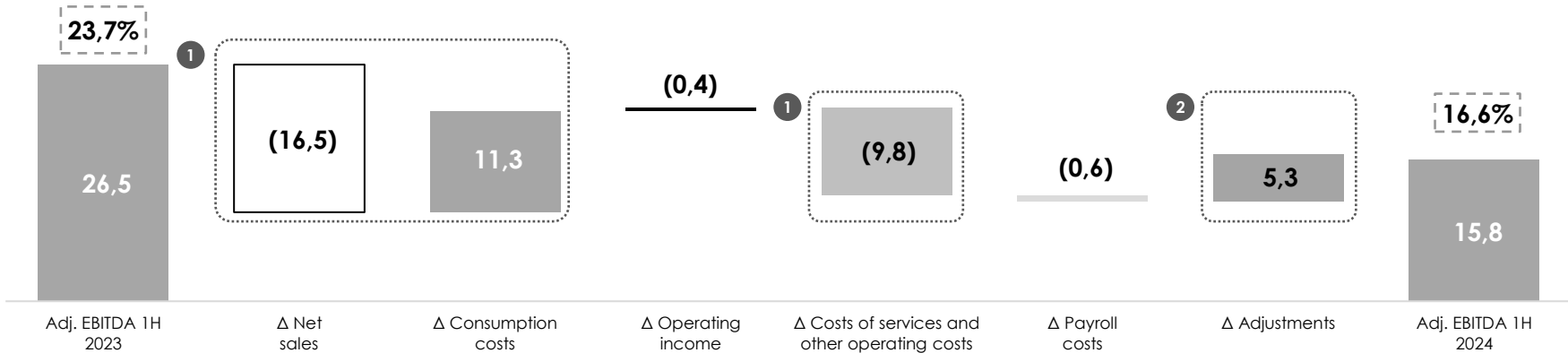


- 1H24 Net sales decreasing by **14.8%** vs. 1H23
- Sales volume contraction distributed across geographical areas and verticals due to customers' final stages of destocking
- Positive signals from Vending, Defense & Aerospace and Fitness

- Clea business at **13%** of revenue in 1H24, **+359 bps** vs. 1H23
- **+17.0%** vs. 1H23
- Software business continues to deliver **profitable steady growth**

Adjusted EBITDA

Adj. EBITDA bridge (€m)

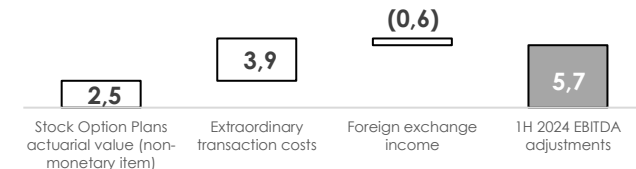


1 Gross margin effect and operating costs

- Gross margin at **52.7% of sales** (up by +312 bps vs. 1H23), mainly thanks to **Clea business expansion**, as well as a **decrease in components' price** following market stabilization
- Negative operating leverage effect** offsetting GPM positive contribution due to reduced sales volume and unfavorable product mix, with higher transformation costs

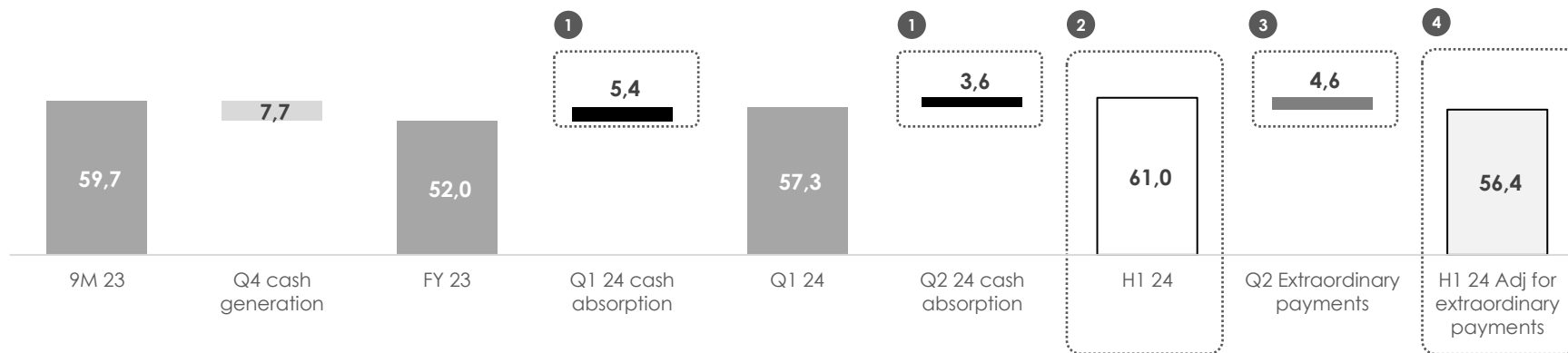
2 Adjustments

- 1H 2024 EBITDA Adjustments (€m)



Adjusted Net financial position

Adj. Net debt last 9 months evolution (€m)

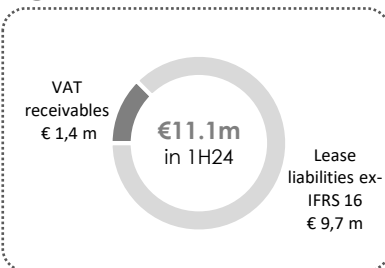


1 1H 2024

- Increase in trade receivables, partly offset by reduction in inventory and increase in trade payables



2 Net debt Adjustments



3 Extraordinary payments

- Repayment agreement following a tax reassessment audit (€2.3M)
- Dividend payment to the shareholders of Fannal (€1.8M to minority shareholders)
- Down payment for new Arezzo plant (€0.5M)

4 Leverage

- Financial flexibility to support SECO's future expansion plans

Leverage
(Net Debt Adj. for extr. payments / Adj. EBITDA)

1.4x
1H 2024



Business update



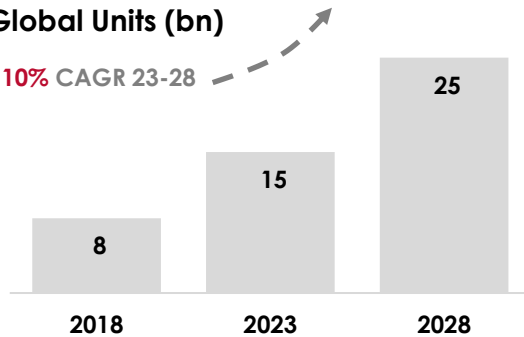
At the core of one of the fastest growing end-market in technology



With a fully integrated offering, combining both hardware and software, SECO is uniquely positioned to capture an increasing share of this IoT era

Global Units (bn)

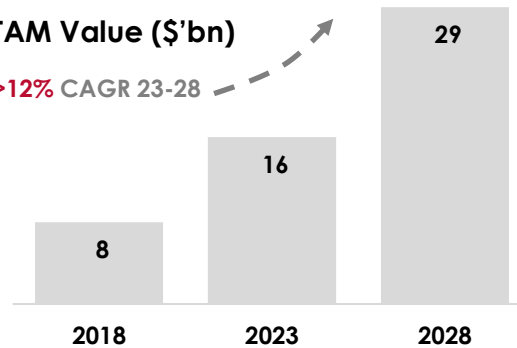
>10% CAGR 23-28



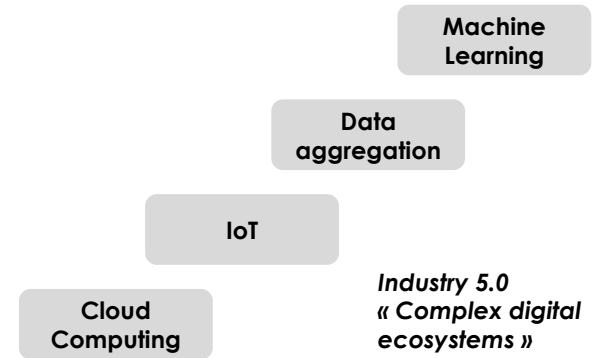
Broadening adoption of IoT applications is expected to drive a >10% CAGR in connected endpoints shipments

TAM Value (\$'bn)

>12% CAGR 23-28



With average selling price also expected to rise, SECO's TAM should increase at an even faster rate



The Industrial segment – our core market is expected to show especially high growth in coming years

A mission-critical supplier for our customers

By driving our clients' success, we grow with them and create significant barriers to entry



Decades of technological partnerships across verticals

Industrial Automation



Fitness



Medical



Coffee



Vending



Water Pumps

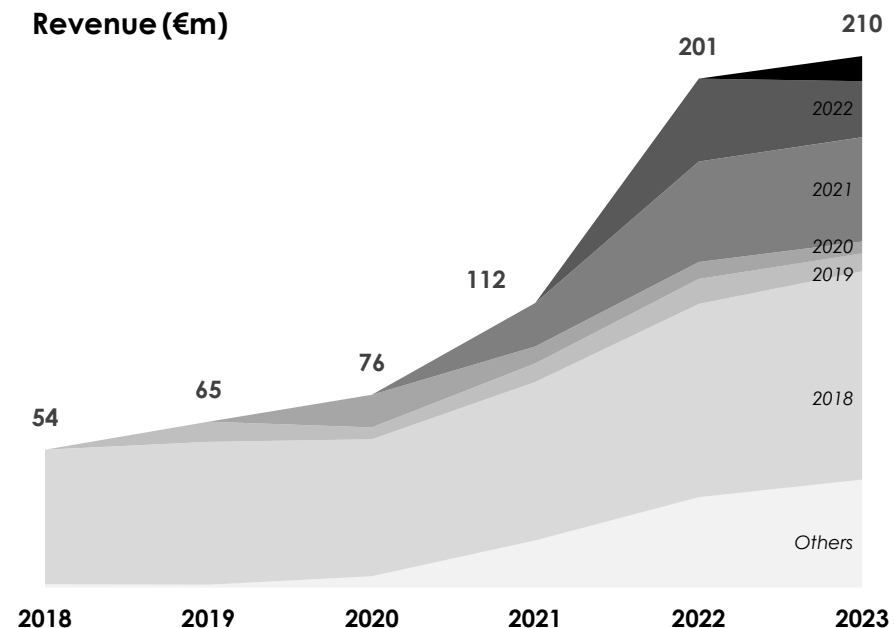


EV Charging



Long term growth fueled by reliable client base

Constantly increasing our share of wallet as well as adding new verticals & customers













c.3% customer churn rate

Top 10 Concentration : >70% (2018) to <40% (2023)

¹ Each section represents the top 80% customers from whom we received revenue for the first time each year and their subsequent evolution over the following period

Recent design win improving sales mix across verticals & regions

| | | Country | Solution | Business size/year |
|---|---|--|---|--------------------|
|  | Global tech leader in Energy metering |  Switzerland | <ul style="list-style-type: none"> • Smart device for High voltage sub-stations • Modular, boxed solution with IoT connectivity | €5M+ |
|  | World-leading pioneer in water solutions |  Denmark | <ul style="list-style-type: none"> • Advanced HMI for Industrial heating/cooling control panel • Enhance efficiency & operational control | €5M+ |
|  | Global leader in HVAC controls |  Italy | <ul style="list-style-type: none"> • Smart climate control solution with HMI touch panel • Software support for GUI | €3-5M |
|  | Global leader in marine navigation systems |  Japan | <ul style="list-style-type: none"> • Smart fish finder and marine navigation system • Integrated electronic board for control panel on vessels | €3-5M |
|  | World-leading banking solutions |  Germany | <ul style="list-style-type: none"> • Two projects based on off-the-shelf products for ATM solutions • Integration capabilities, including an embedded printer | €1-2M |

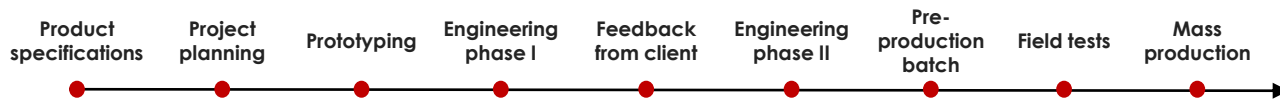
Time to revenue model

~6 months

Off-the-shelf solutions

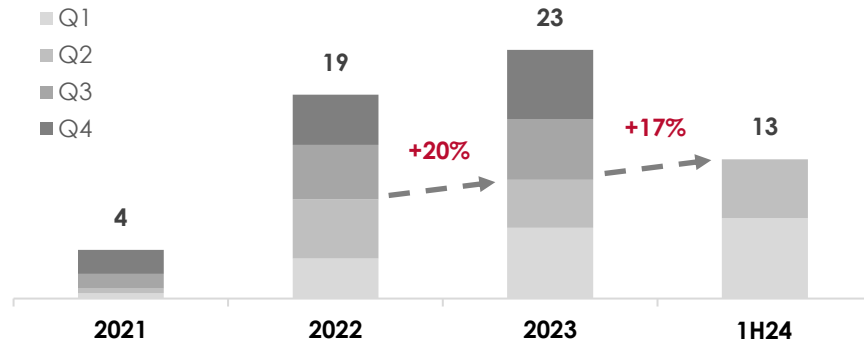
Up to 18 months

Custom solutions



Completing our end-to-end value proposition

CLEA Revenue (€m)



IoT Business Model

Price / unit

Fees **per device** and **by consumption**

GPM

~80%

Visibility

5+5 years contracts

Recurring and incremental business

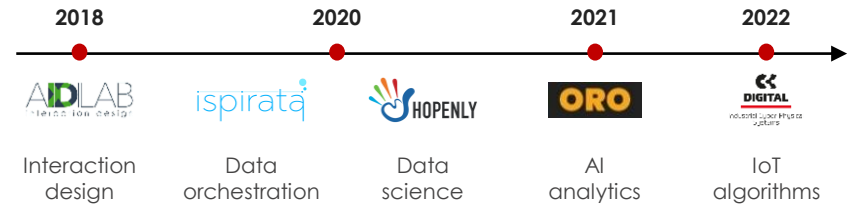
M&A and R&D driving innovation

5+ years

Building up the Clea platform

c.€100m

Overall investment



Dedicated Leadership



Dario Freddi

- Chief IoT & Strategy Officer
- Founder of Ispirata
- 15+ years experience

Fausto di Segni

- EU Head of IoT & AI



~100 people

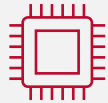
Dedicated to IoT & AI software development

Continuously expanding our Clea Ecosystem

Strengthening an existing group of industry-leading partners with a clear strategy to fuel creativity & boosting growth amongst 3rd party users



Expanding **top-tier tech partnerships**



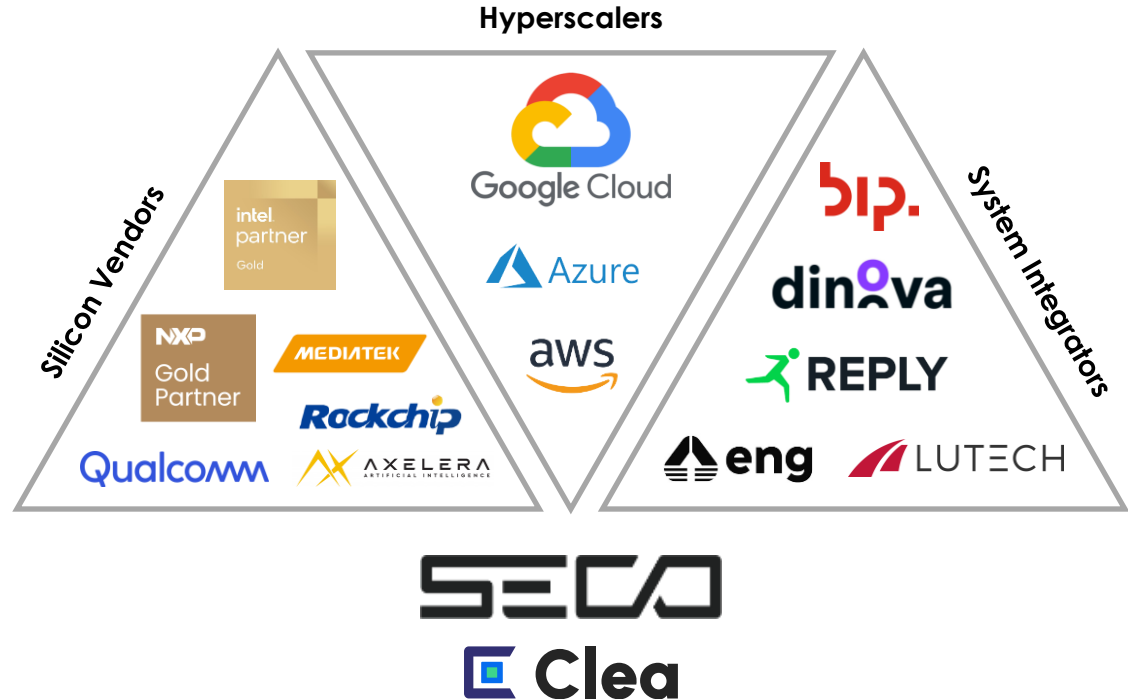
Access to **advanced technologies**



Being on-board for **tech integration projects**

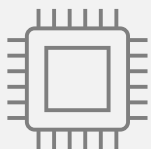


Joint go-to-market strategies



Growth Drivers for 2025

Edge computing



Historical customers

Normalisation of volumes from

Destocking end & Growing IoT adoption

New clients

Entering **mass production** stage

Edge-AI

High-perf, real-time, offline processing

Industrial infrastructure

Doubling production capacity by 2026

Software business



CLEA Penetration

Gradual integration into existing clients

Dedicated Sales force

Implementation ongoing

Push strategy

From all parties of the **ecosystem**

Full Stack Offering

IoT & AI solutions as enabler for Edge AI

M&A strategy



Act as a consolidator

Focus on expending our Edge Computing footprint:

- Client base expansion
- Open production capabilities in new locations
- Leverage on cross-sell & Clea up-sell strategies

ESG – A key priority for the Group



30% of energy consumed from certified renewable sources in 2023



29 average training hours per employee in 2023



120 stakeholders involved in the Group's materiality analysis for 2023



Conflict minerals policy
Adopted in December 2022



20 programmatic actions for 2023-25 to integrate sustainability organization-wide, adopted by the BoD in December 2022

Our Mission - A digital, sustainable, intelligent future

Our technologies at the service of **sustainable business** enable the **automation of processes**, increasing the **efficiency** of production processes, reducing product waste, and **optimizing** resource and **energy consumption**

Our ESG Ratings

MSCI 

In 2023, our rating was **upgraded from BB to BBB**

MSCI
ESG RATINGS



ccc | B | BB | **BBB** | A | AA | AAA

 **SUSTAINALYTICS**
a Morningstar company

The score places us in the "**Low Risk**" category (<20) – **improving by 4 points** since 2023

16.4

Low Risk



Industry

(Technology Hardware) 273 / 675 | 41st

Subindustry

(Technology Hardware) 37 / 123 | 30th

Rank | Percentile

Forward looking guidance

€180m+
2024 Revenues

- Our sector continues to face an **extraordinarily low level of activity**
- As **order intakes recovery gradually materializes**, the **resilience of our business** and **strength of our client base** should allow **2H revenues to be broadly in line with the first 6m of the year**

50%+
Gross Margin

- Our priority is to maintain our **industry-leading gross profit margin levels**
- This performance should come from **smoothed Edge computing sales mix**, **Clea business expansion** and **increasingly favorable conditions in consumption costs**

OPEX under
control

- **We keep close attention to our OPEX levels** and, given our **positive view on the sector outlook**, do not foresee any need for short-term adjustments
- Our strategy will allow us to **capture the full benefit of the upcoming rebound**

Normalized 2025

- **In a normalized market environment**, we are confident SECO will go back to delivering **15%+ organic top line growth** driven by both **historical and new clients' activity**
- **Our profitability** will also grow back **in line with historical levels**, also benefiting from the **steady progress of our Clea software suite**

Why invest in SECO ?



- 1 **Top 5 player globally** in one of the fastest growing end-market in technology
- 2 **Profitable business model** focused on high margin custom solutions
- 3 **End-to-end technological partner** with unrivalled R&D excellence
- 4 **Fully integrated IoT offering**, from edge computing to software stack
- 5 **Uniquely positioned product range** to fully benefit from Edge AI tailwind
- 6 **Highly diversified client base**, consistently growing through new project wins
- 7 **Strong balance sheet** allowing for pro-active M&A strategy
- 8 **Experienced management team** with a clear roadmap to deliver long term growth



Q&A

SECO



Thank you

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