



Endless ways to the future

SECO: H1 2022 Results and Business update

presentation

September 12, 2022

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Here today



Massimo Mauri
CEO



Lorenzo Mazzini
CFO

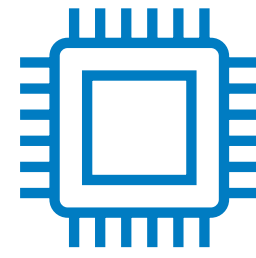
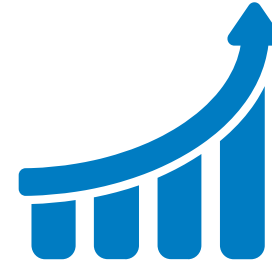


Marco Parisi
Head of Investor Relations

Key takeaways from 2022 YTD

1.

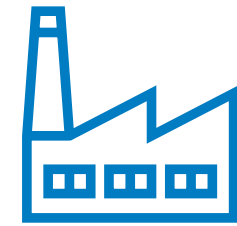
*Delivering execution
in a complex
scenario*



- **H1 2022:** Net sales at **€94.1m**, **+125%** vs. H1 2021 (**+61%** organic growth, **+49%** on a like-for-like basis)
- Adj. EBITDA at **€20.1m** (**21.4%** of sales), **+116%** vs. H1 2021
- **Q2 2022: strong acceleration** of revenue (**+130%**) and Adj. EBITDA (**+146%**) vs. Q2 2021
- **Critical components stocking:** investments continued in Q2 2022, a strategic decision to secure future growth
- **>€3m cash generation** in Q2 2022, despite €10m investment in inventory to secure critical components' availability

2.

*Solid and resilient
business model*



- **GPM** incidence substantially stable in H1 2022 vs. FY 2021, at **46.8%**; Q2 2022: **80bps** improvement vs. Q2 2021
- CLEA business at **€9.6m** in H1 2022 (+965% vs. H1 2021), with further expansion in Q2 2022 (**€5.9m**, **+61%** vs. Q1 2022)

3.

*Increased visibility
on 2022-23*



- **Order backlog at €174m** at 31.08.22, vs. **€101M** (August 2021), **+73%** on a like-for-like basis
- **FY 2022 Net sales guidance at €200m confirmed** thanks to orders already in backlog

Key takeaways from 2022 YTD (cont'd)

Q2 2022 vs. Q2 2021: revenue growth driving operating leverage

Net Sales

Gross margin

Adj. EBITDA

Growth (€m and %)

+€29.0m (+130%)

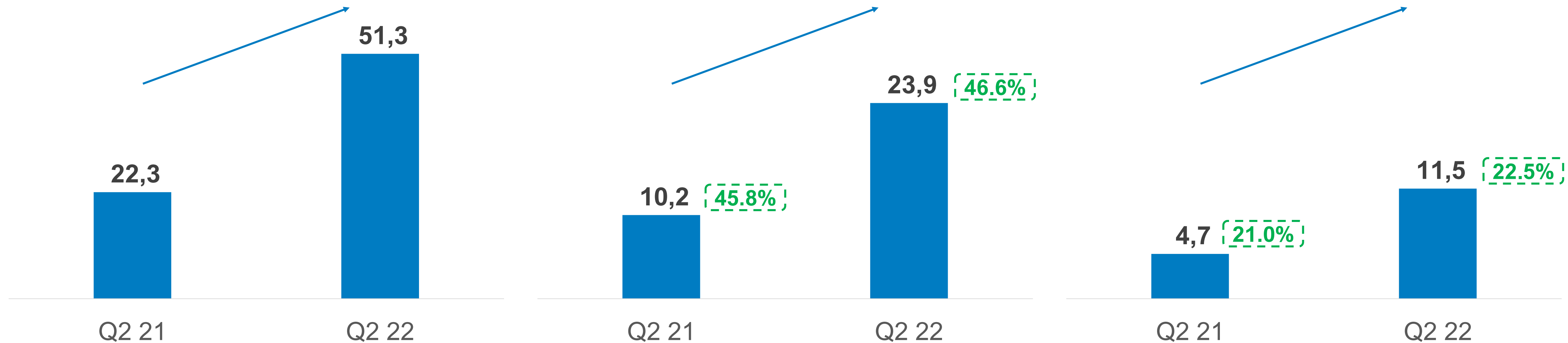
+€13.7m (+134%)

+€6.8m (+146%)

% of Net Sales (Δbps)

+80bps

+150bps



Legend

[...%] % of Net Sales

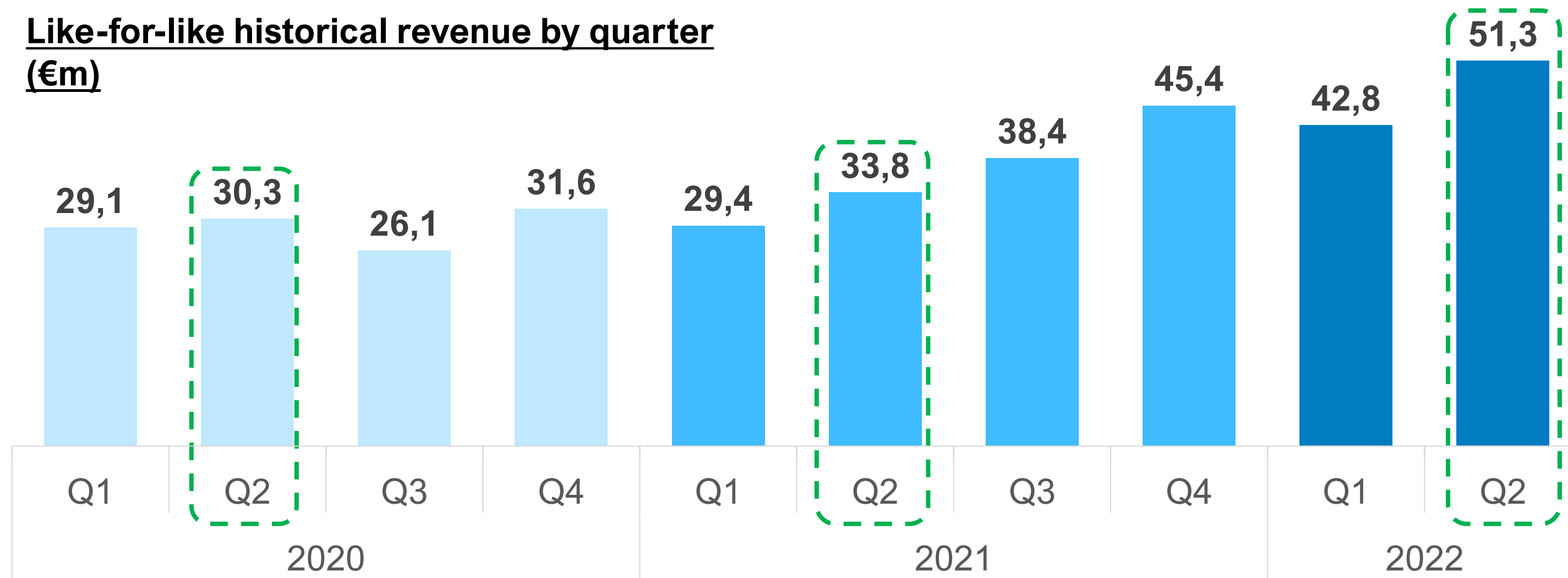


Endless ways to the future

Quarterly performance focus

Quarter-by-quarter growth driven by organic and M&A expansion

Like-for-like historical revenue by quarter
(€m)



Average quarterly revenue

€29,3M

Q1-Q4 2020

€36,7M

Q1-Q4 2021

€47,1M

2022 YTD



Q2 2022 vs. Q1 2022 performance

+20%
Net Sales growth

+35%
Adj. EBITDA growth

+€3M
Cash generation

How we are facing the components' shortage

Ensuring shipping continuity to strengthen our long-term competitive advantage and acquire new business opportunities

Targeted actions, combined with a resilient business model

Keeping growth and profitability up despite a still challenging market context

€10M

Additional inventory investments



Continued in Q2 2022 to maximise availability of critical, high lead time components

20

Product re-designs completed YTD



Actions discussed with costumers to replace components most affected by shortage with available ones

+64%

Organic growth (Q2 2022 vs. Q2 2021)



Despite €6m overdue backlog as of June 30, 2022

Price increases



Negotiations with customers to pass through components' extra-costs

€10M

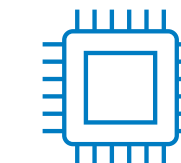
H1 2022 CLEA business contribution



10% of net sales after 1.5 years from launch

+0.8p.p.

Δ % Gross margin (Q2 2022 vs. Q2 2021)



Business growth, revenue mix and timely action helping profitability improve vs. earliest phase of the shortage



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H1 2022 financial highlights

H1 22 vs. H1 21

+125%

Net sales

€41.8m → €94.1m

- **+61%** organic growth, **+49%** like-for-like growth in H1 2022 vs. H1 2021
- Edge computing business growing at **~107%** in H1 2022 vs. H1 2021
- CLEA revenue at **~€9.6m** in H1 2022 (vs. ~€1.0m in H1 2021)

+119%

Gross margin

€20.1m → €44.0m

48%

47%

- Profitability substantially unchanged vs. Q1 2022, despite components shortage affecting all the market
- Price increase actions adopted have helped maintain stability in the gross margin incidence
- Positive impact from CLEA revenue

+116%

Adj. EBITDA

€9.3m → €20.1m

22%

21%

- Operating leverage in Q2 2022 thanks to business acceleration and OPEX control

+86%

Adj. Net Income

€4.6m → €8.6m

11%

9%

- D&A: +€3.5m higher vs. H1 2021
- Financial expenses: +€1.9M higher vs. H1 2021, largely due to G&F acquisition financing
- Taxes calculated with theoretical tax rate

...% = % of Net sales

Net sales

€94.1m

H1 2022 Net sales

+€52.3m

H1 2022 vs. H1 2021



H1 2022 vs. H1 2021 growth

~2x

Edge computing growth
(~1.4x on a like-for-like basis)

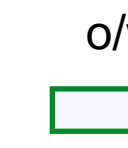
~10x

CLEA growth

10% of
Net sales



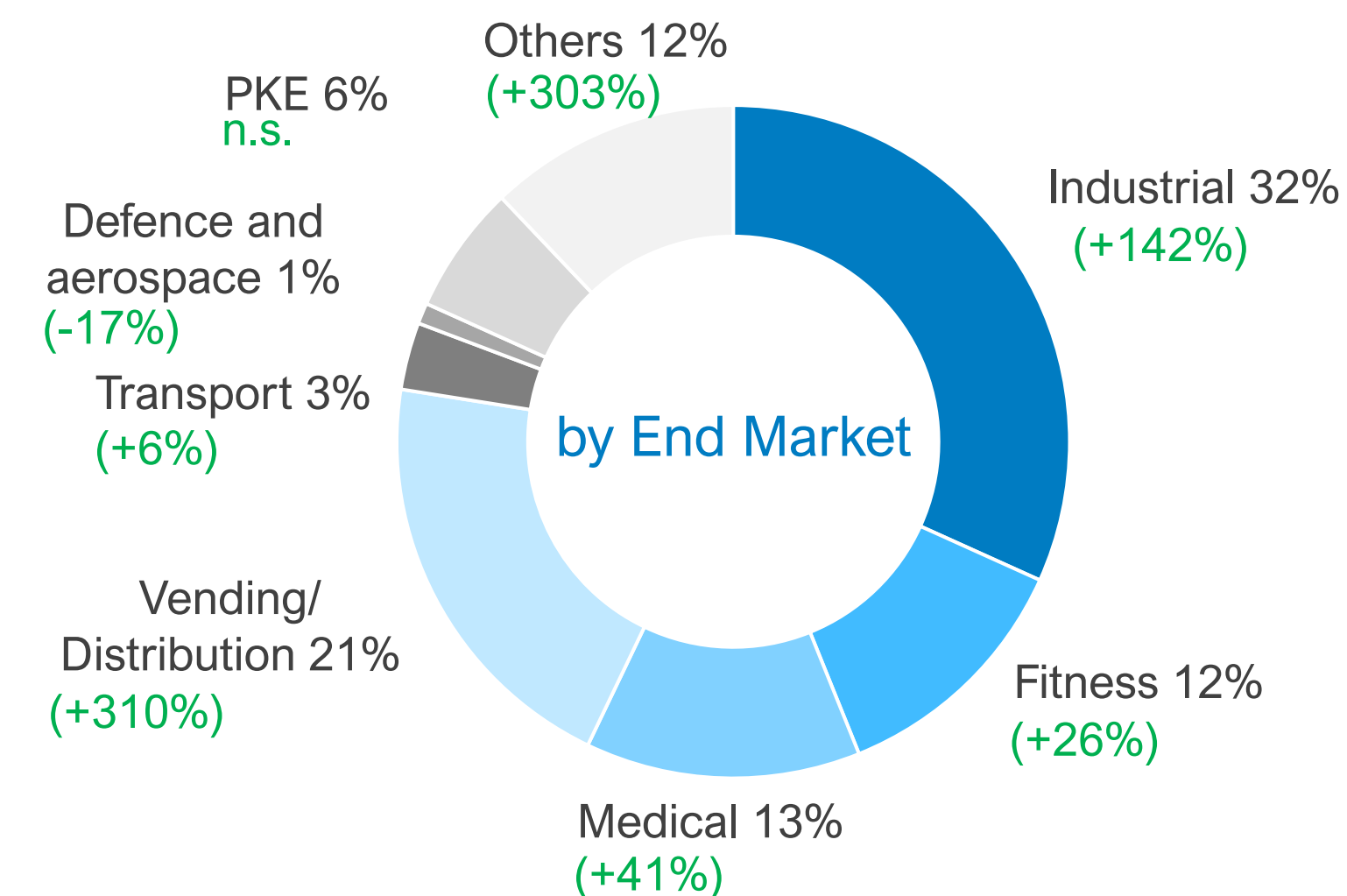
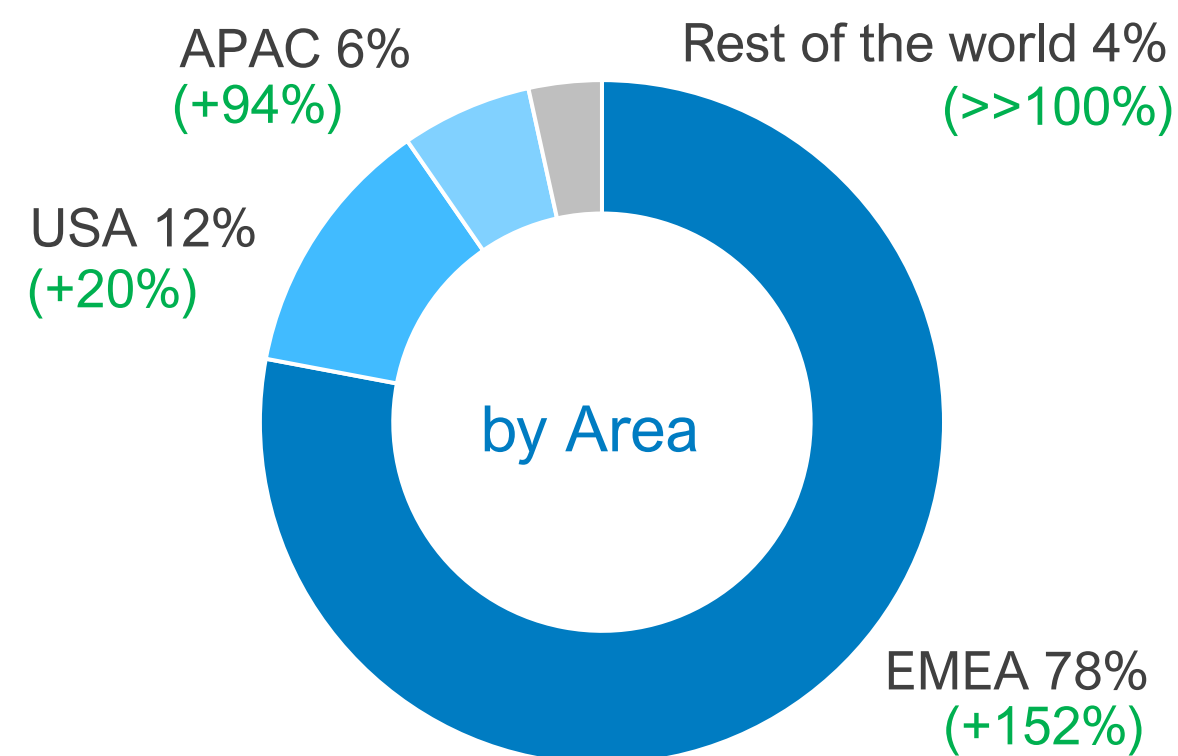
~€9.6m
H1 2022 CLEA
revenue



~€5.9m
in Q2 2022

+61%
vs. Q1 2022

Net sales breakdown (H1 2022)



Legend

(±...)% Change vs. H1 2021

- H1 2022 Net sales growing by **+125%** vs. H1 2021 (**+61%** organic, **+49%** on a like-for-like basis)
- Edge computing business at **+107%** in H1 2022, largely thanks to a growth in the Industrial, Fitness, Medical, Vending industries

- CLEA business continuing its expansion trend, hitting **~€9.6m** revenue in H1 2022 (+965% vs. H1 2021) of which **€5.9m in Q2 2022** (+61% vs. Q1 2022)
- EMEA, APAC, USA markets all showing growth trends



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Adjusted EBITDA

€20.1m

H1 2022 Adj. EBITDA

+€10.8m

H1 2022 vs. H1 2021

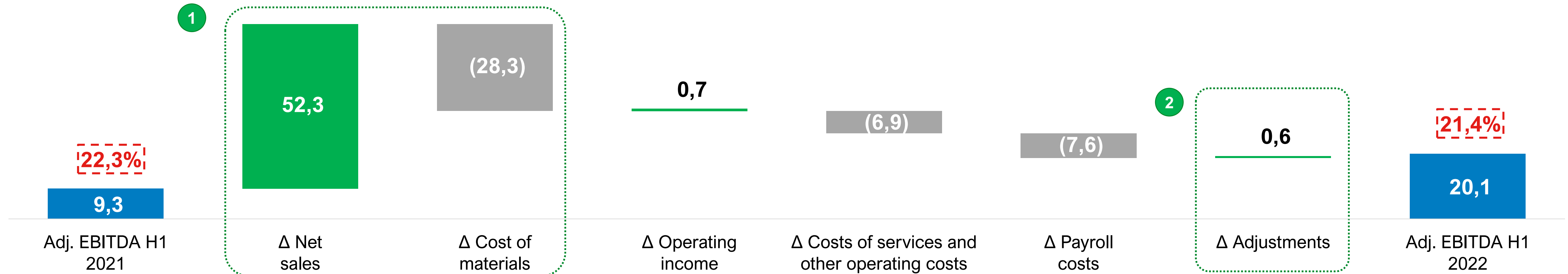
+116%

% growth vs. H1 2021

21%

of Net sales

Adjusted EBITDA bridge (€m)



1 Gross margin effect

- H1 2022: **+116% growth** vs. H1 2021 explained by **business expansion** in Edge computing and CLEA segments
- Operating leverage generation in Q2 2022

(Q2 2022 vs. Q2 2021)

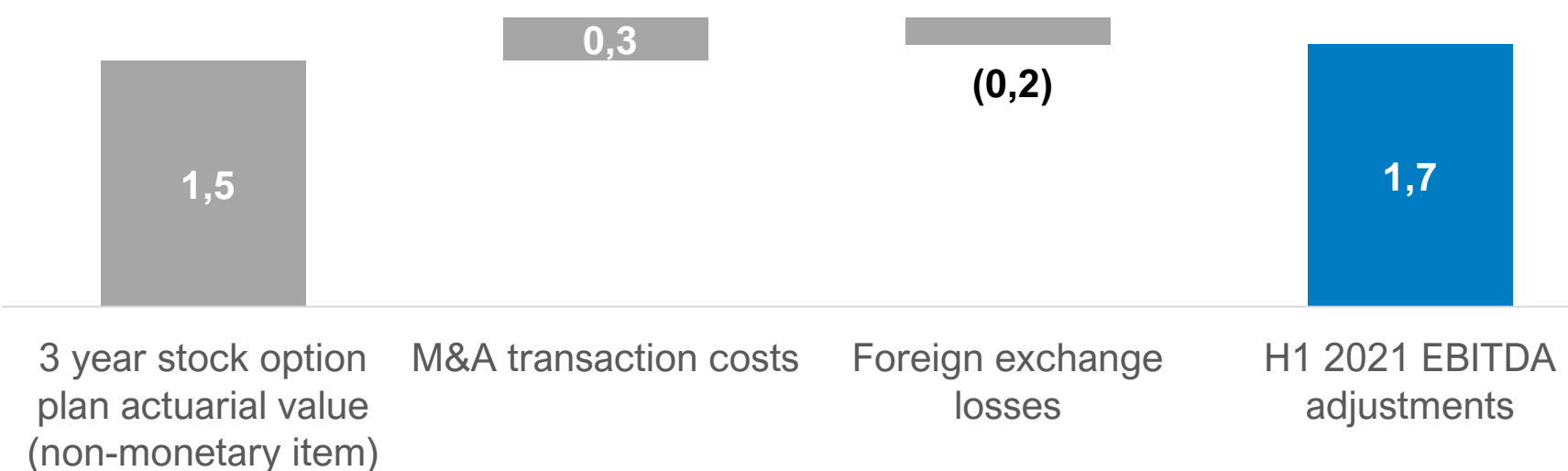
Net sales
+130%



Adj. EBITDA
+146%

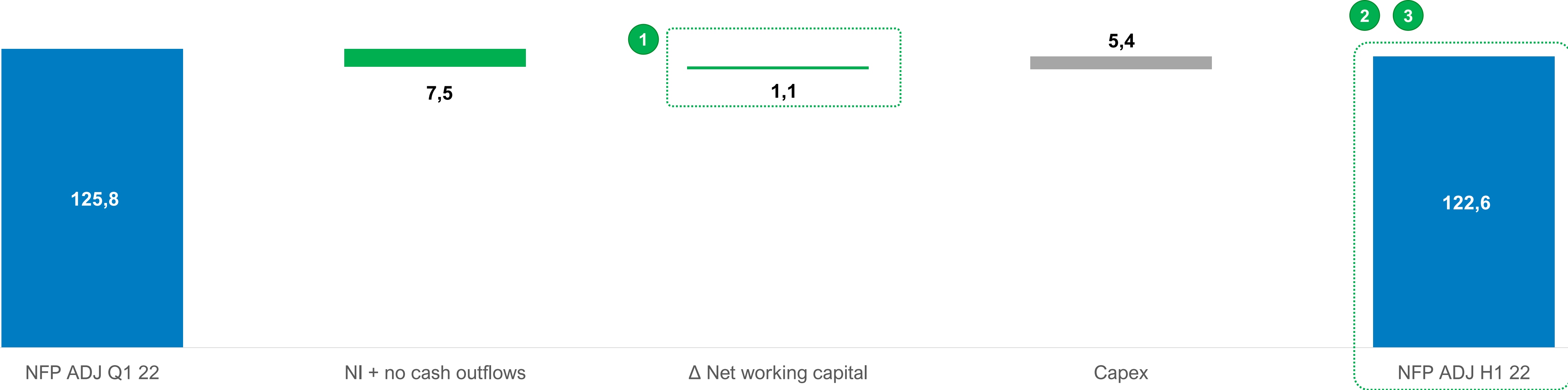
2 Adjustments

- H1 2022 EBITDA Adjustments



Adjusted Net financial position

Adjusted Net debt bridge (€m)



1 Net working capital

€1m positive effect testifying good net working capital management, despite difficult components' market situation

2 Net debt Adjustments

- H1 2022 Net debt Adjustments

VAT receivables €1,6m

Lease liabilities ex-IFRS 16 €8,1m

Derivatives' Mark-to-market at end of H1 2022 (€9.6m) not included*

€9.7m in H1 2022

3 Adj. Net Debt H1 2022

€3.2m

Cash generation in Q2 2022 vs. Q1 2022



* = being a >0 amount at the end of the period, not included in Net Debt and Adj. Net Debt pursuant to Consob and ESMA recommendations



Endless ways to the future


Business update


Achieving our targets in a challenging environment

Digital transformation: a recession-resilient secular trend, reshaping a world that faces new challenges...



...opening up numerous edge computing and AI opportunities...



EV charging stations


Smart factories & buildings


Consumption monitoring


Digital signage panels


Digital voting machines


...and many more...

...and increasing our visibility on 2023 and beyond

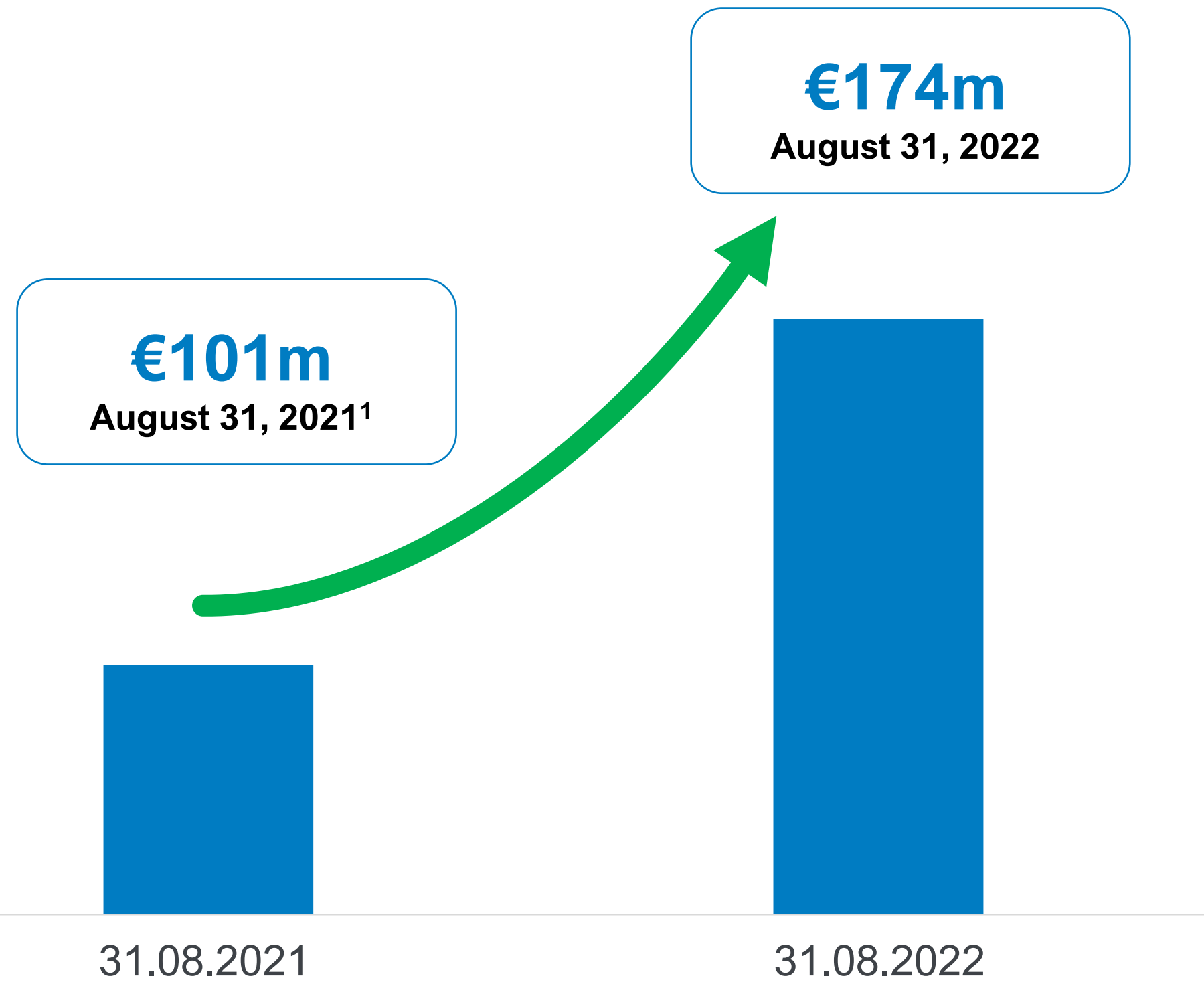

Order backlog 


Design wins flow 

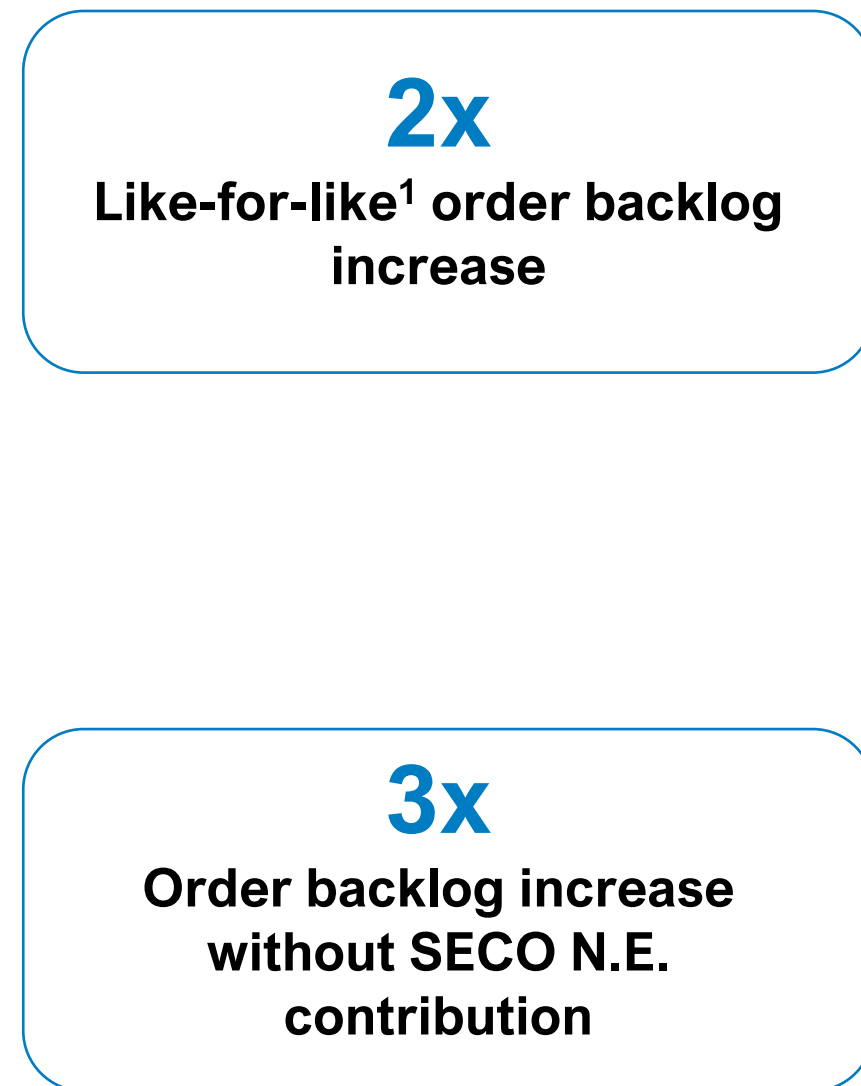
August '22 backlog

Increased visibility on H2 2022 and 2023; investments in inventory as key to secure deliveries continuity

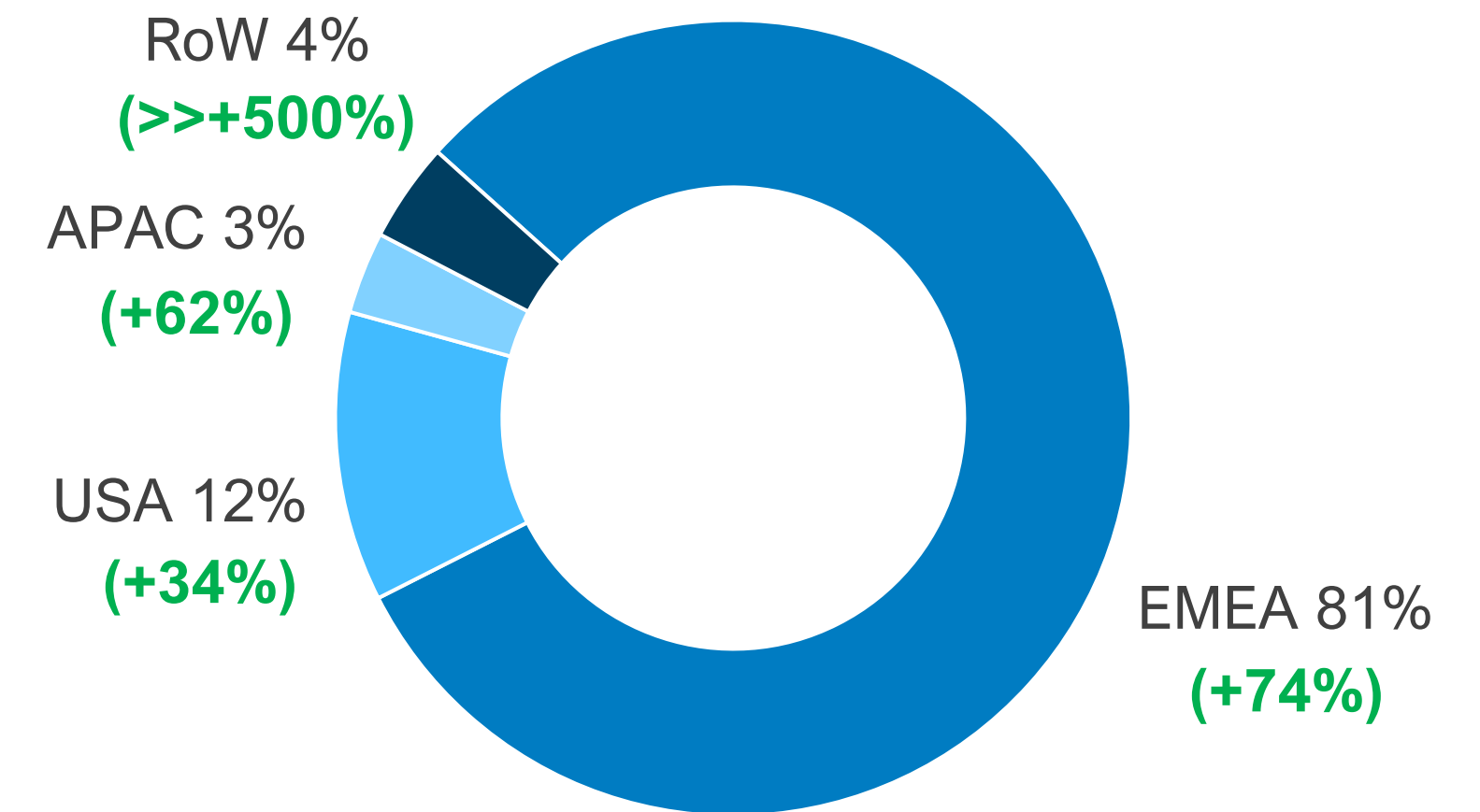
Total Order backlog (€m)



Growth rates (Aug22 vs. Aug21)



Aug22 Order backlog by area



Legend
(±...%) Change vs. Aug. 2021



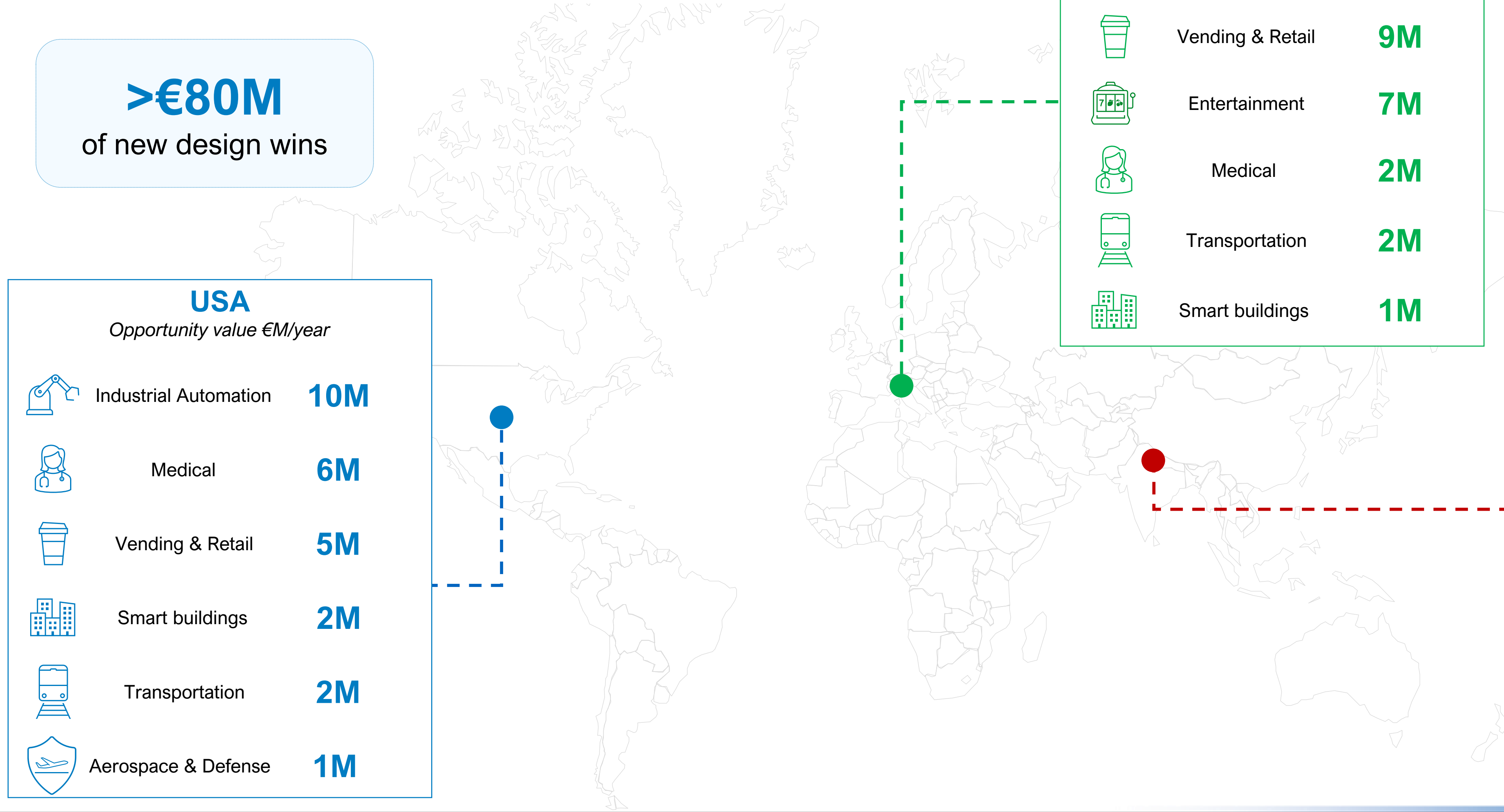
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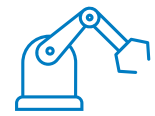





¹ Considering also Garz & Fricke Group figures as of August 31, 2021
Note: percentages may not sum to 100% due to rounding







Edge computing business







Diversified base of new projects, ensuring independence from any particular sector

>€80M
of new design wins



USA		
Opportunity value €M/year		
	Industrial Automation	10M
	Medical	6M
	Vending & Retail	5M
	Smart buildings	2M
	Transportation	2M
	Aerospace & Defense	1M

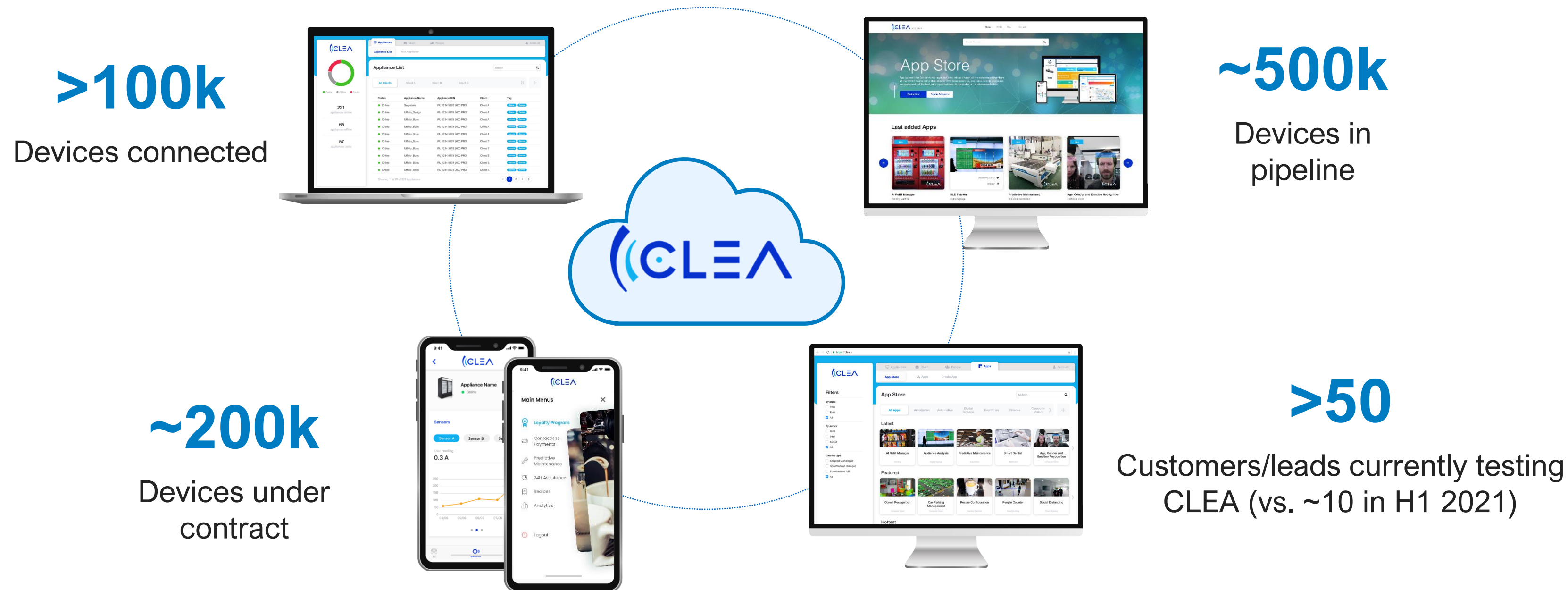
EUROPE		
Opportunity value €M/year		
	Industrial Automation	11M
	Vending & Retail	9M
	Entertainment	7M
	Medical	2M
	Transportation	2M
	Smart buildings	1M

APAC + Emerging		
Opportunity value €M/year		
	Voting	10M
	Entertainment	5M
	Transportation	4M
	Automotive	3M
	Telco	3M
	Heavy equipment	2M

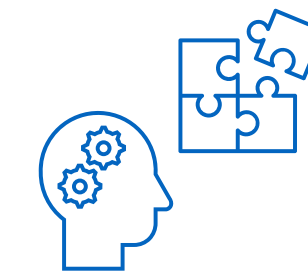
CLEA business

Devices installed base continues to generate revenues for the years to come

Increasing installed base of connected devices, fueled by growing pipeline and conversions



IIoT CLEA update



1 Camozzi Digital's R&D team and technologies integration running on time

2

New product releases coming



Sept. 2022



Q1 2023

Advanced discussions in place with **3 potential early adopters**



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SECO Northern Europe update

Building on H1 performance: new CEO and legal entities merger to boost long-term value generation

SECO N.E. YTD
+22% Net sales
 H1 2022 vs. H1 2021

Dirk Finstel appointed SECO Northern Europe CEO starting August 1, 2022

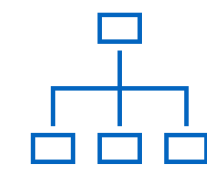


- 30+ years experience in running global business units in several Tech companies
- Previously served as executive in several leading edge computing companies (Advantech, Adlink, Kontron)

Key short-term action areas

- Accelerate SECO N.E. synergies and growth path
- Complete integration at Sales, R&D, Operations, IT level
- SAP go-live since Q1 2023

SECO Northern Europe Merger



Leaner group structure



Savings on



operating and



administrative costs

Five companies merged in one business



- Effective from July 1, 2022
- Accounting effects backdated to January 1, 2022
- 100% ownership by SECO SpA

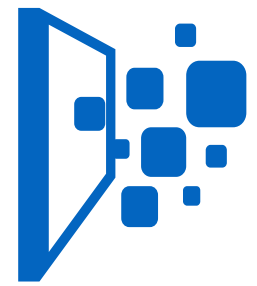


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What's next?

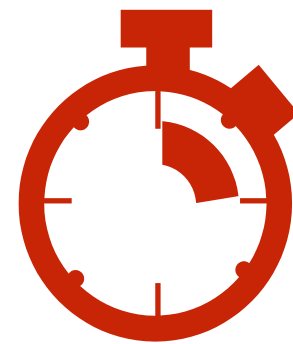
Google Cloud shutting down its IoT Core service opening large business opportunities

About Google Cloud IoT Core



- Fully managed service allowing to **connect, manage, and ingest data from multiple devices**

What is happening?



- August 2022: Google Cloud announces that its **IoT Core is being retired in August 2023**

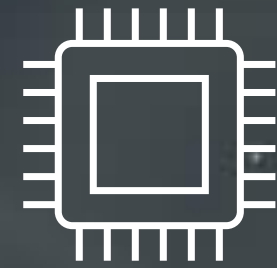
What opportunities for other IoT players?



- **Big chance for medium-sized IoT players to acquire market share, becoming trusted IoT partners to medium-large customers**

What's next?

AI accelerator: adding new edge platforms to our linecard for Machine Learning



**High-end
edge platform**



**Neural networks data
inference**



**Main development
frameworks supported**



**No-code AI development
tool based on CLEA**



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Q&A



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ANNEX

Financials overview

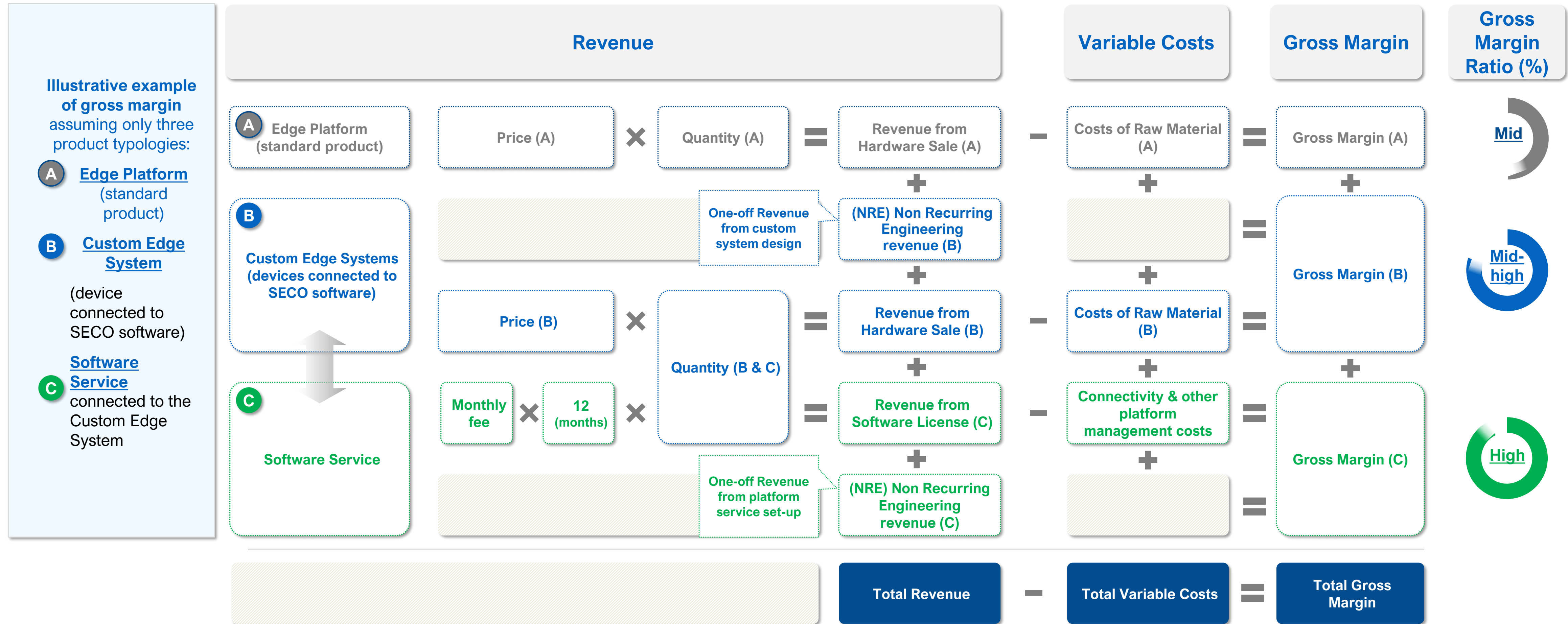
Income Statement

€mln	H1 2021	H1 2022
Net Sales	41,8	94,1
Consumption Costs	(21,7)	(50,1)
Gross Margin	20,1	44,0
<i>% on Net Sales</i>	<i>48,0%</i>	<i>46,8%</i>
Other revenues	1,4	2,2
Personnel costs	(9,2)	(16,8)
Other Opex	(4,4)	(11,1)
Exchange gains/losses	0,3	0,2
EBITDA	8,2	18,4
<i>% on Net Sales</i>	<i>19,7%</i>	<i>19,6%</i>
EBITDA ADJ	9,3	20,1
<i>% on Net Sales</i>	<i>22,3%</i>	<i>21,4%</i>
Depreciation	(3,0)	(6,5)
EBIT	4,9	11,8
<i>% on Net Sales</i>	<i>11,7%</i>	<i>12,5%</i>
Financial expenses	(0,3)	(2,2)
Tax	(1,4)	(3,0)
Net Income	3,6	6,8
<i>% on Net Sales</i>	<i>8,6%</i>	<i>7,2%</i>

Balance Sheet

€mln	FY 2021	H1 2022
Net Working Capital	52,5	76,1
Total Fixed Assets	233,3	245,7
Other non-current assets	3,1	3,0
Provisions and other non-current liabilities	(16,4)	(17,9)
Net Invested Capital	272,5	306,8
Net Financial Position	109,5	132,4
Net Financial Position ADJ.	97,5	122,6
Total Equity	163,0	174,5
Total Funds	272,5	306,8

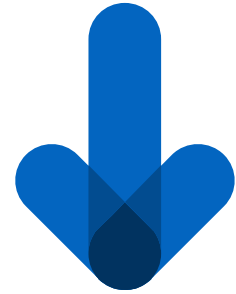
Revenue and cost model



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

Business model

High revenue visibility



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

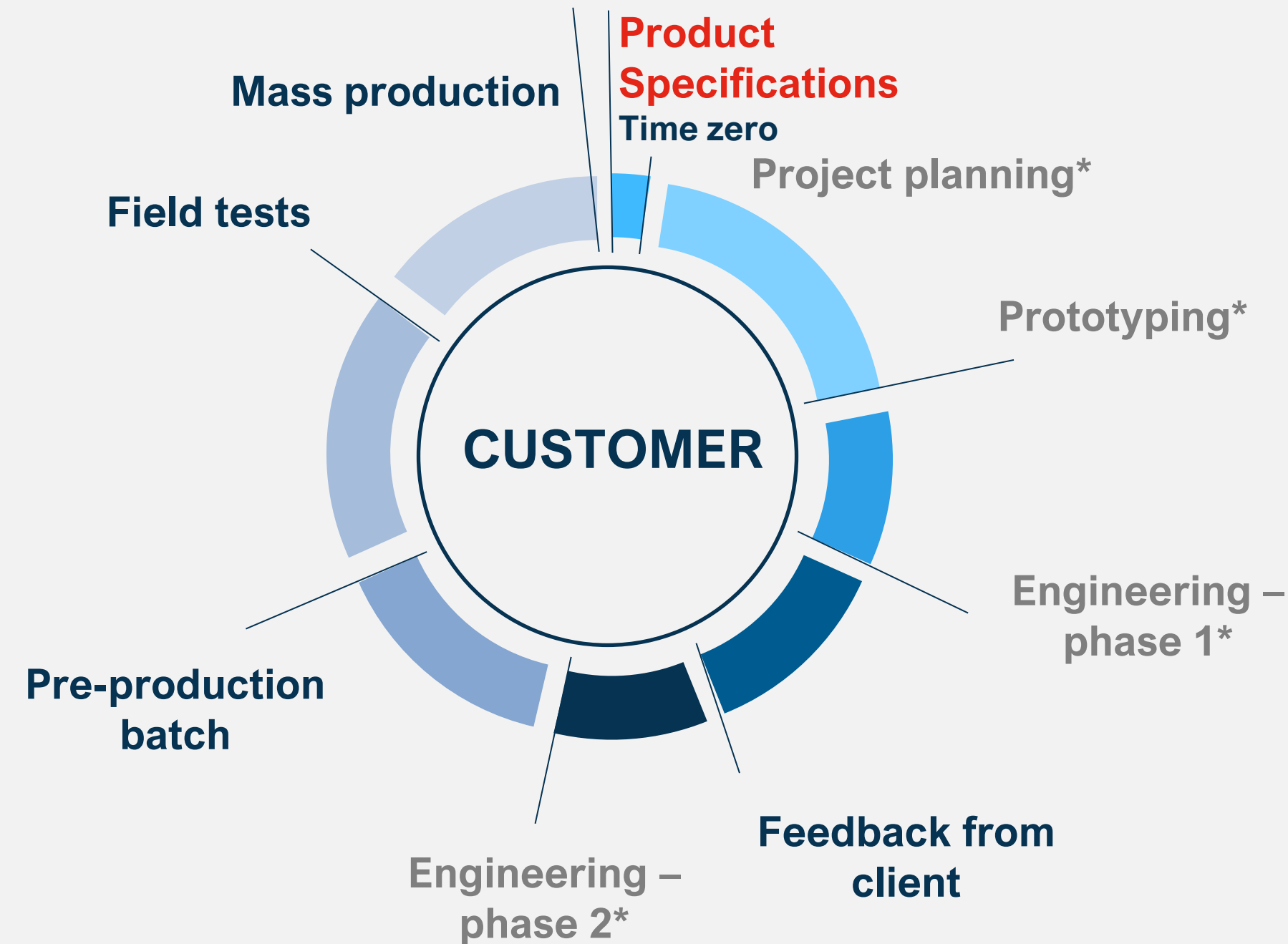
Order backlog coverage ~3-4 months

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

Adjusted Net Income

Adjusted Net income (€m)



1 Adj. Net income

- D&A: +€3.5m higher vs. H1 2021
- Financial expenses: +€1.9M higher vs. H1 2021, largely due to G&F acquisition financing
- Taxes calculated with theoretical tax rate

2 Minority interests

- Minority stakes attributed to key people of some subsidiaries for incentivization purposes
- In H1 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)
- ~€0.8m positive effect on post-minorities Net income after acquisition of SECO Asia minority share

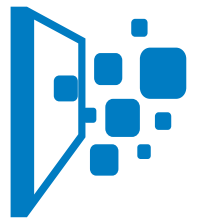
SECO at a glance

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



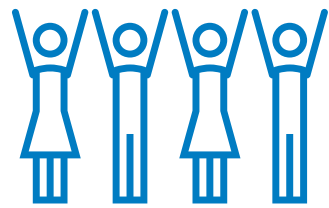
€200M

2022 FY expected revenue

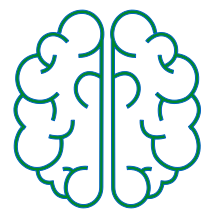


>900k devices

manufactured every year



~ 900 people



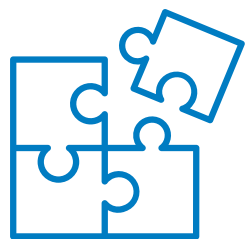
~ 300 R&D people

of which ~180 in AI algorithms development



~ 8-10%

of revenue invested in R&D every year



10 R&D centers

5 production plants



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SECO at a glance

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 Pelsoni

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



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SECO at a glance

Our offering from Edge to AI: unique market positioning vs. competitors

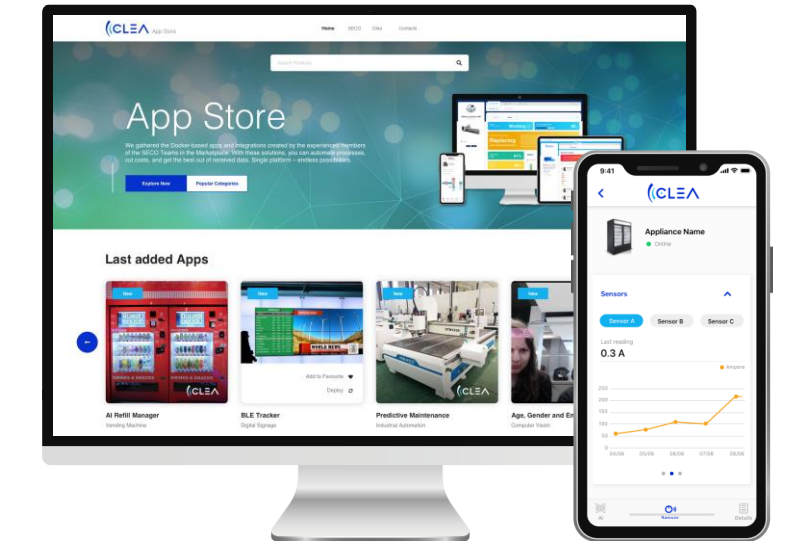
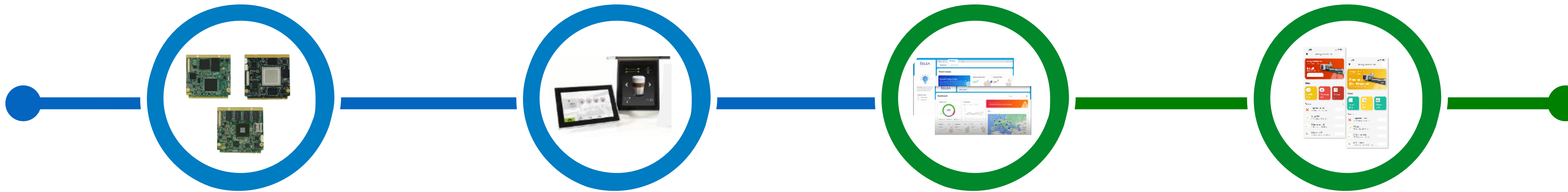
Enabling our customers' business models evolution towards the CLEA world

From modules...

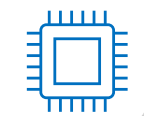
...to Systems...

...to IoT-AI data analytics...

...and a custom App store



The power of AI at your fingertips



Edge computing

Makes devices "smart", enabling them to generate data

CLEA

All-in-one software platform to exploit the hidden value of data



Data Orchestration

AI algorithms

Data transfer on the Cloud

Real-time Analytics



Endless ways to the future

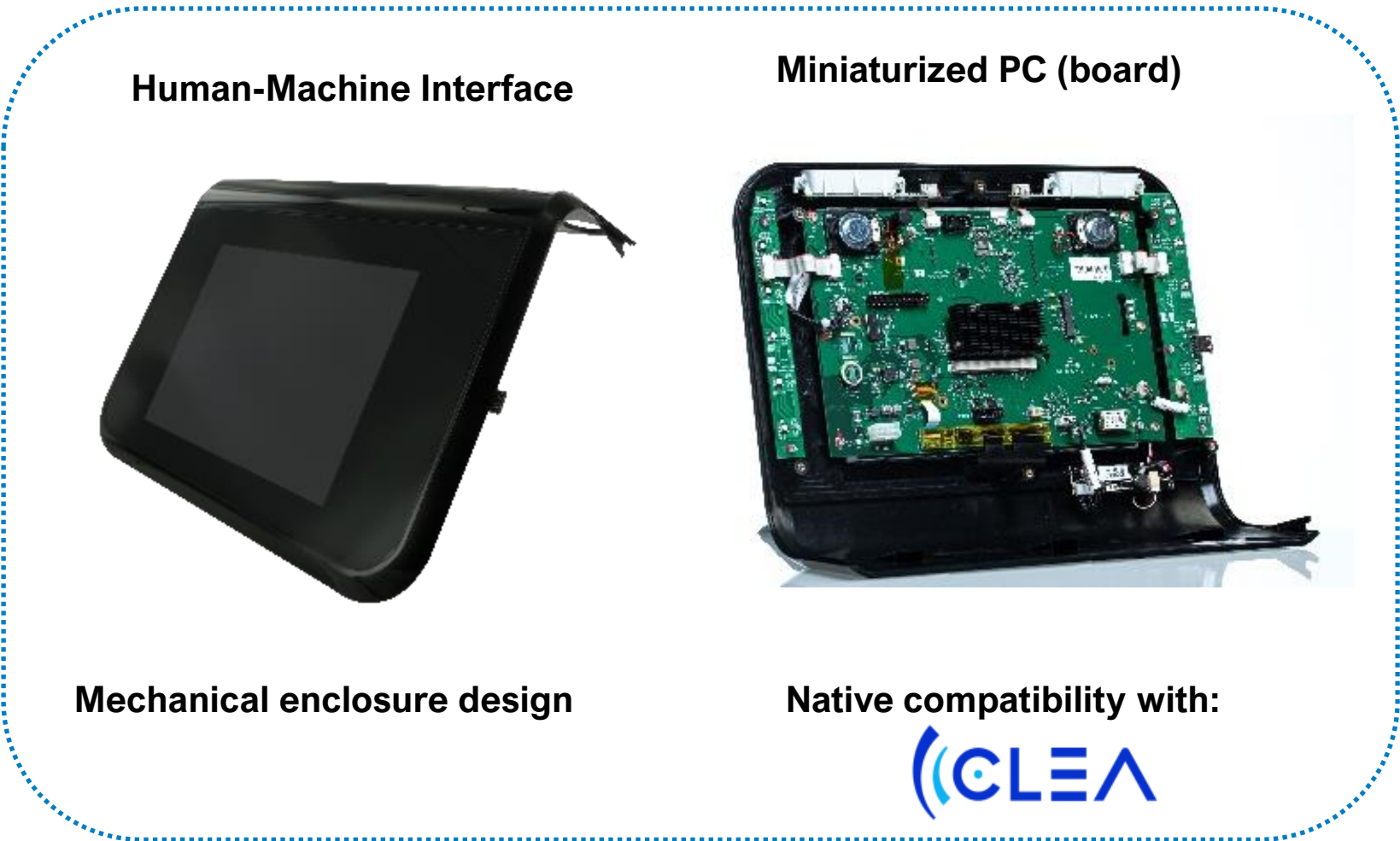
SECO at a glance

Edge computing: integrated, plug-and-play solutions powered by SECO

Our customers' devices...

...are transformed into smart objects...

...bringing intelligence into several industrial fields



SECO added value pillars

- R&D and Design
- Manufacturing

System integration

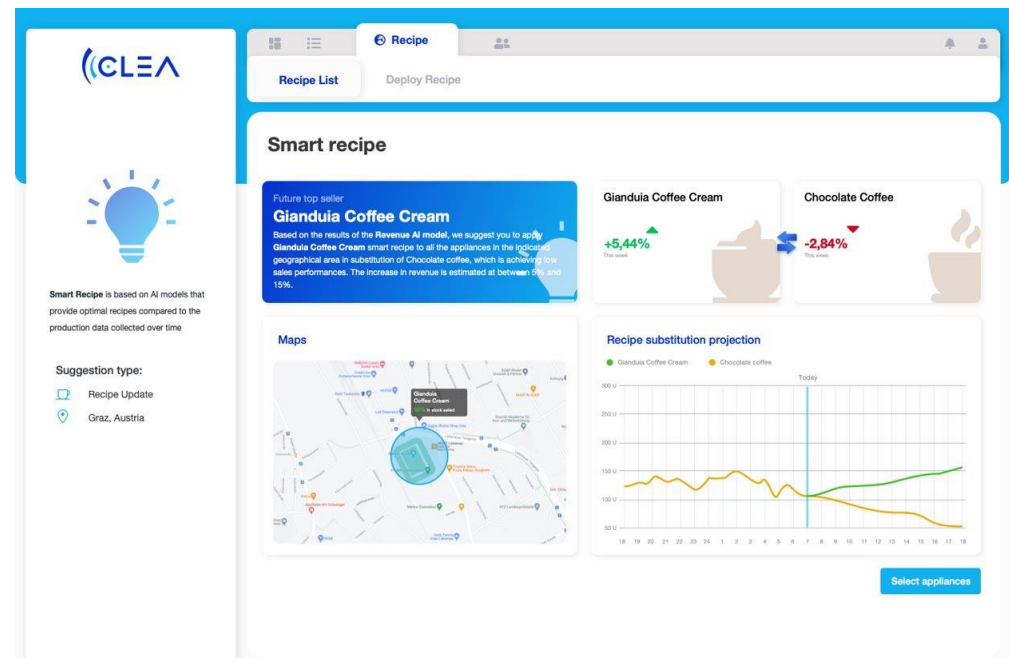


Endless ways to the future

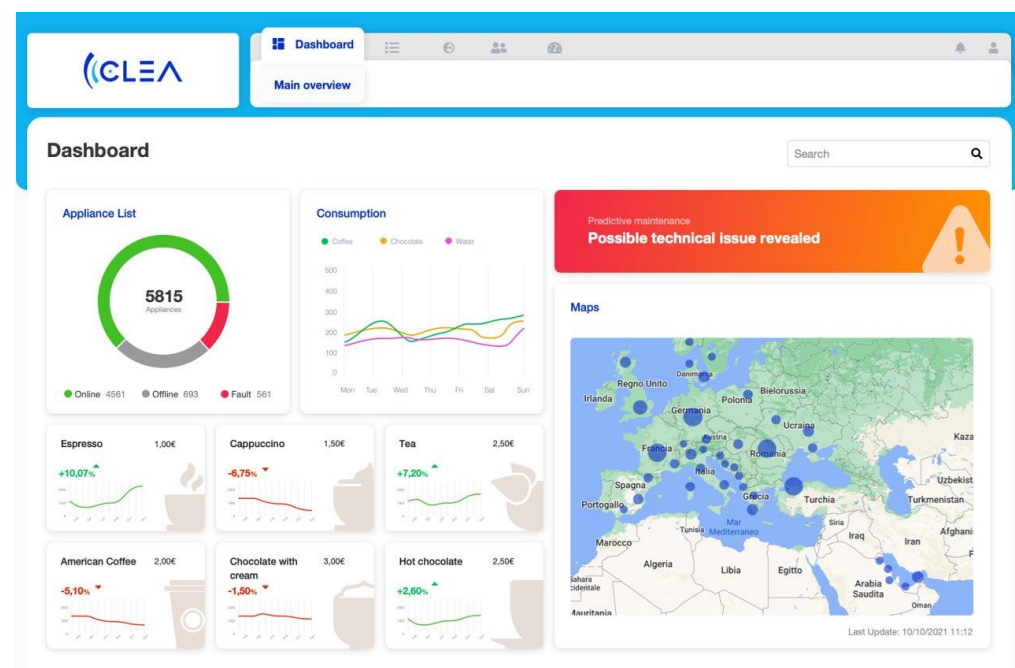
Vertical Applications of CLEA

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

CLEA Vending Machine Apps



Recipe Sales Trends Analysis App

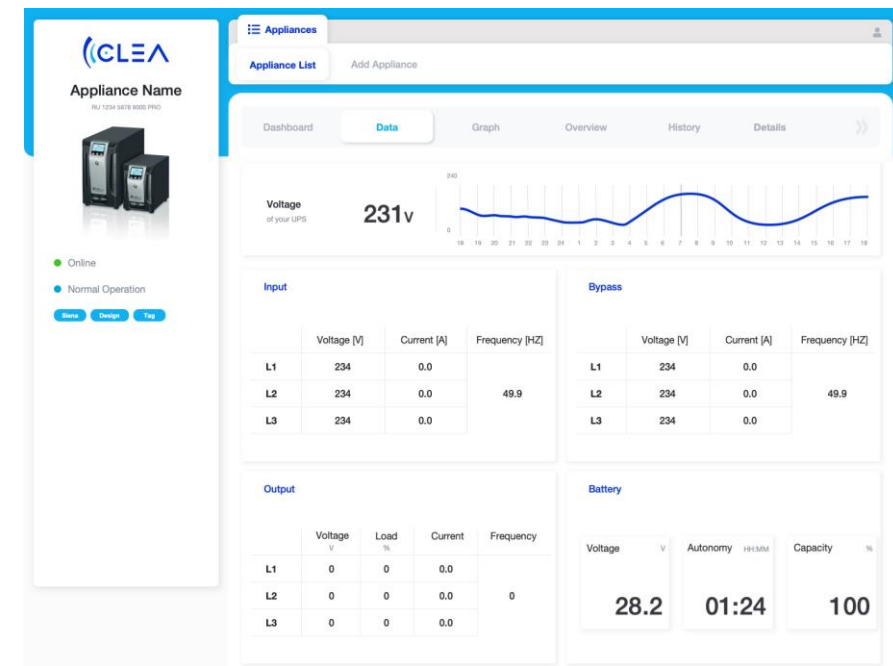


Fault Detection & Machine Downtime Reduction

AI Smart Refill

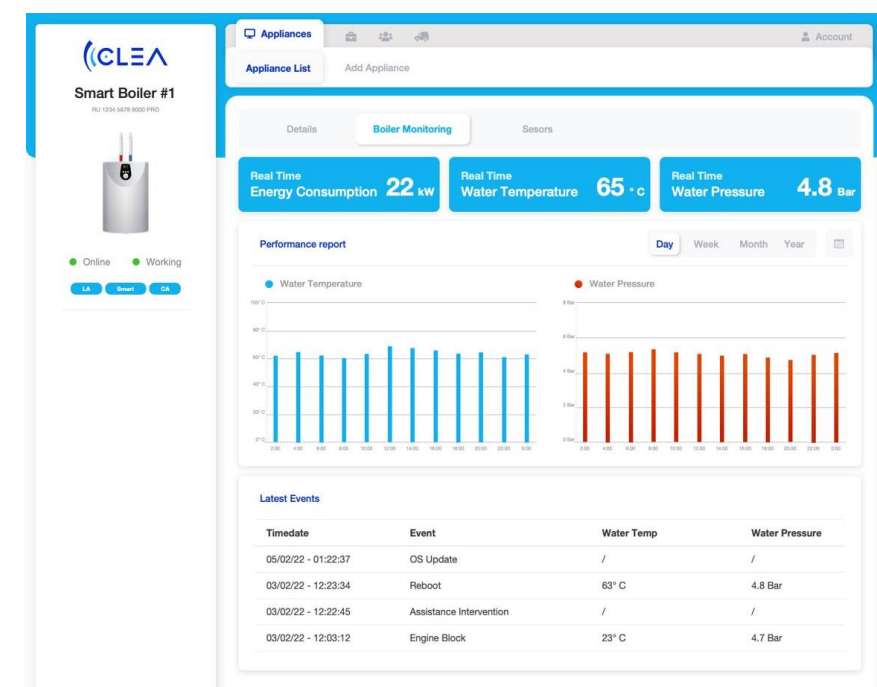
Landing Page

CLEA UPS App



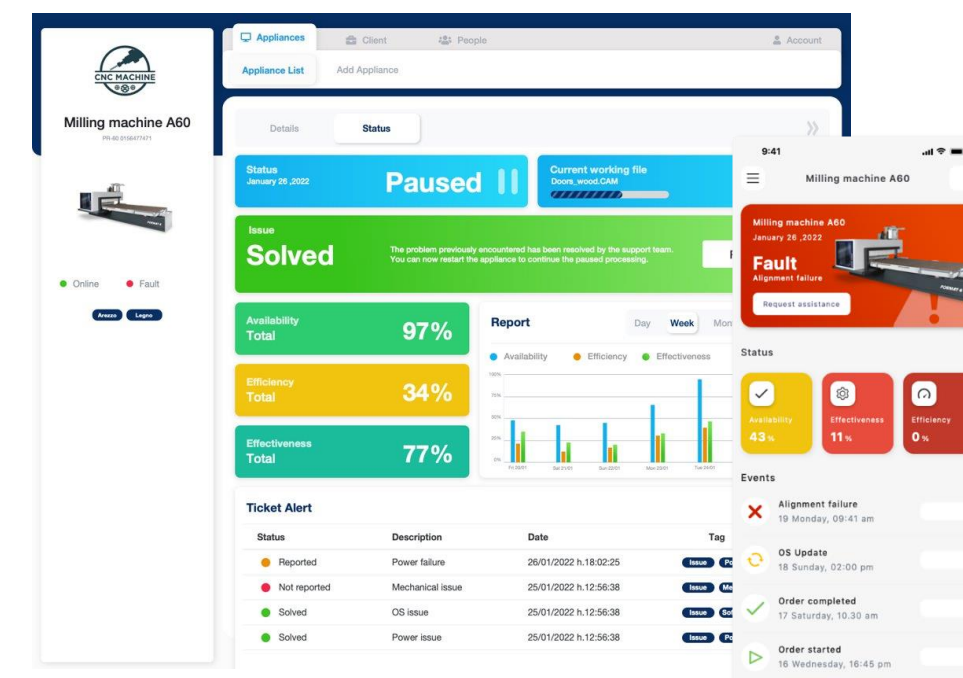
UPS Management

CLEA Boiler App

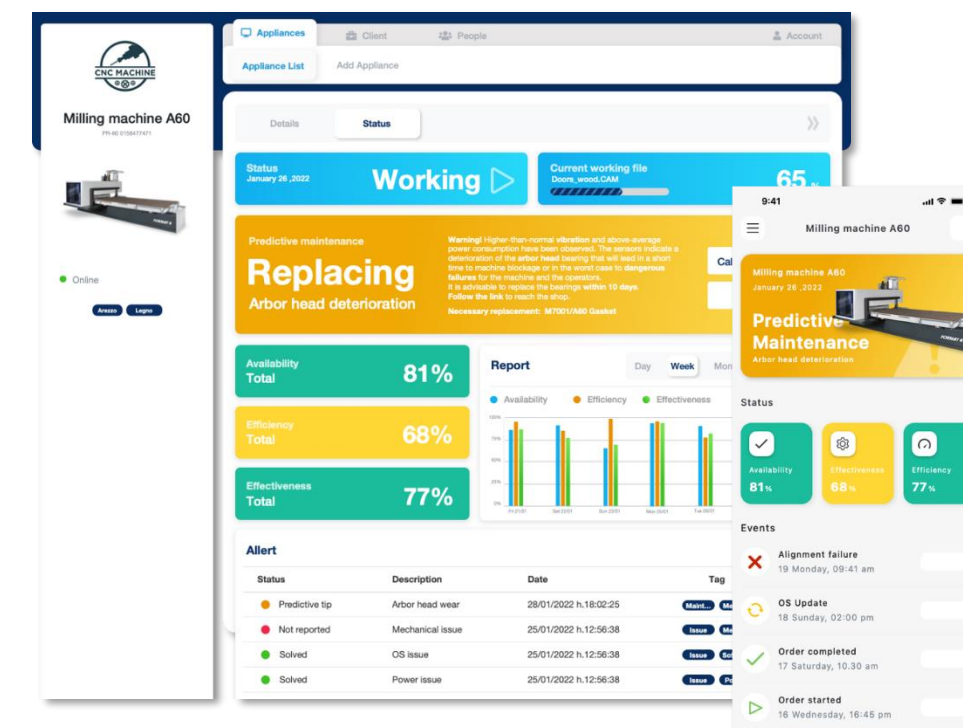


Boiler Predictive Maintenance

CLEA for Industrial Apps

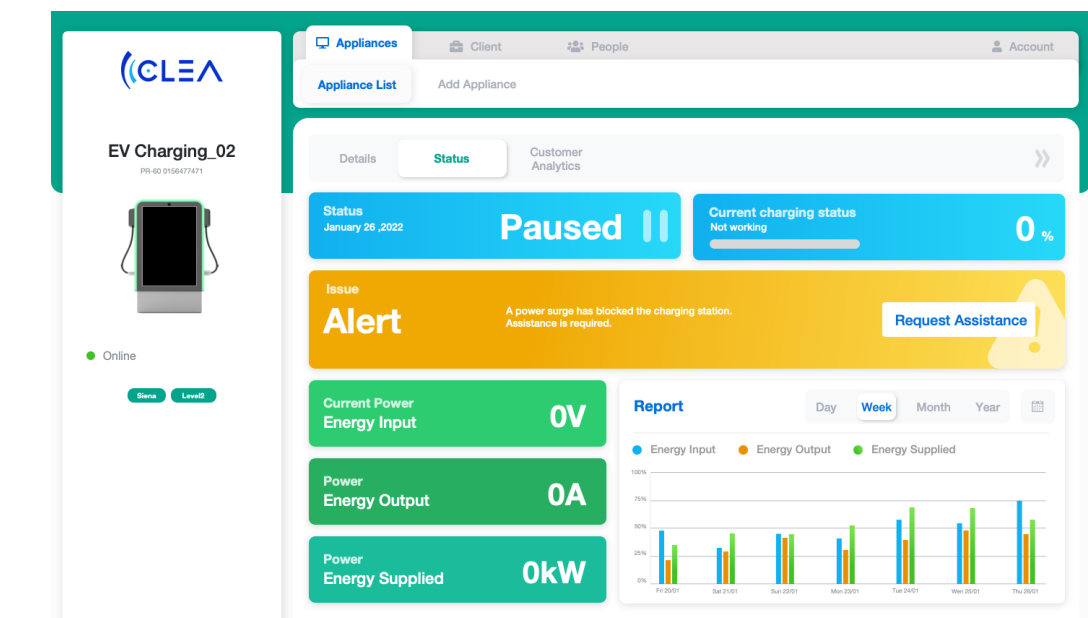
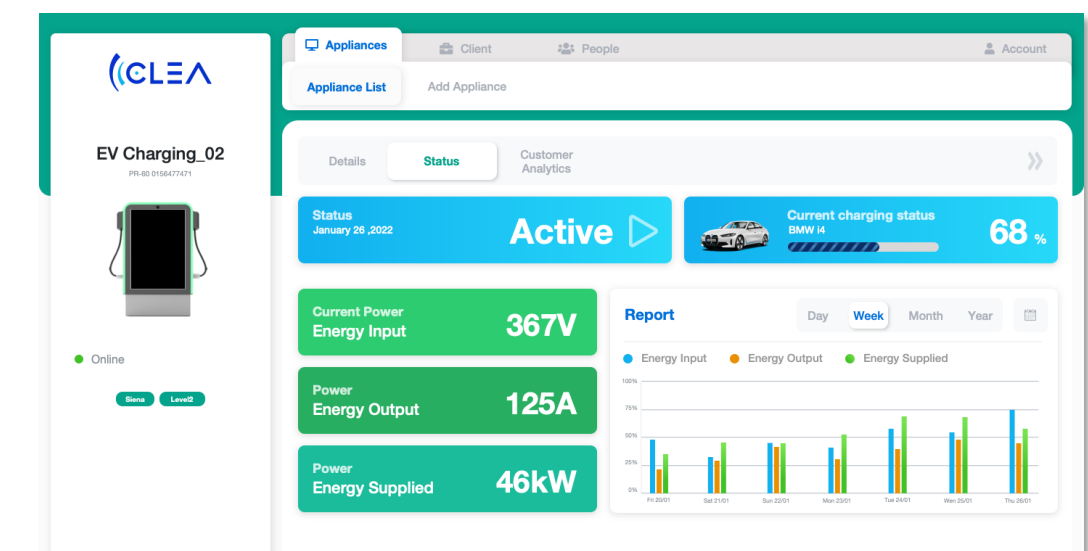


AI Remote Assistant



Predictive Maintenance

CLEA AI EV Charging Station App



AI Remote And Predictive Assistant CMS for Digital Signage

Landing Page

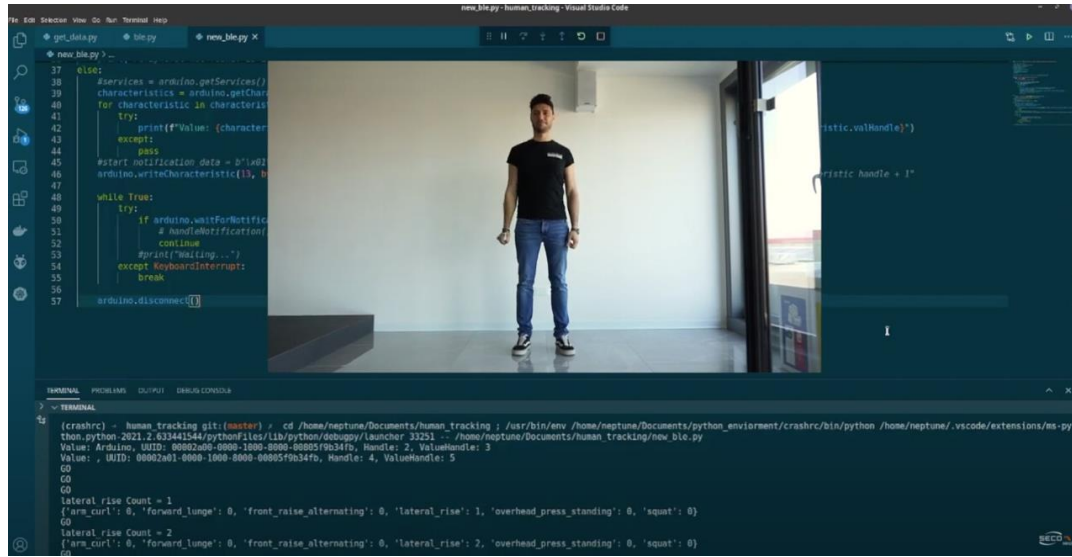


Endless ways to the future

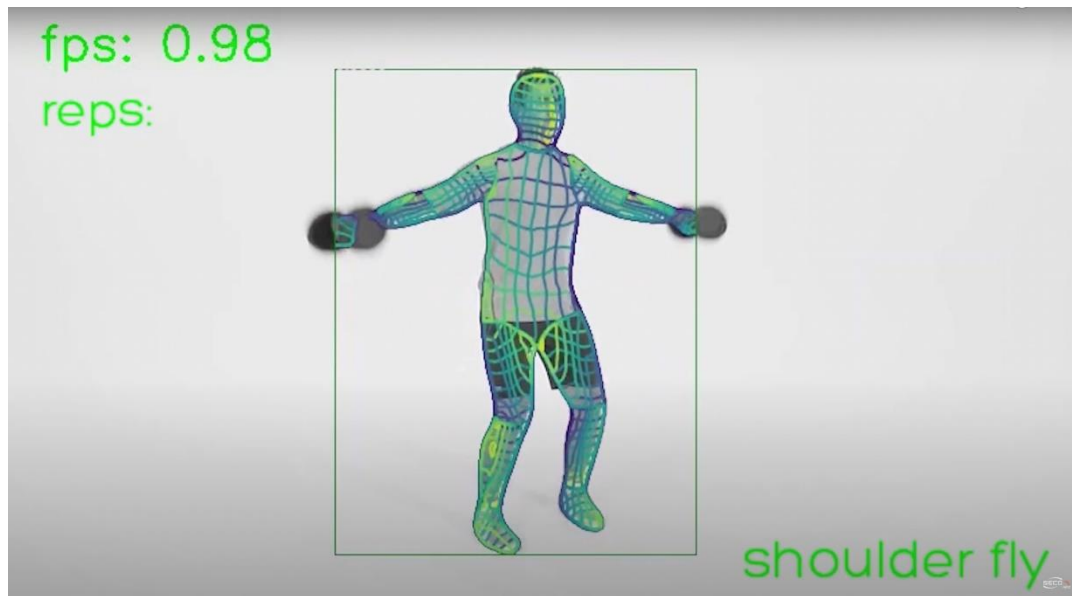
Vertical Applications of CLEA

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

CLEA Fitness App

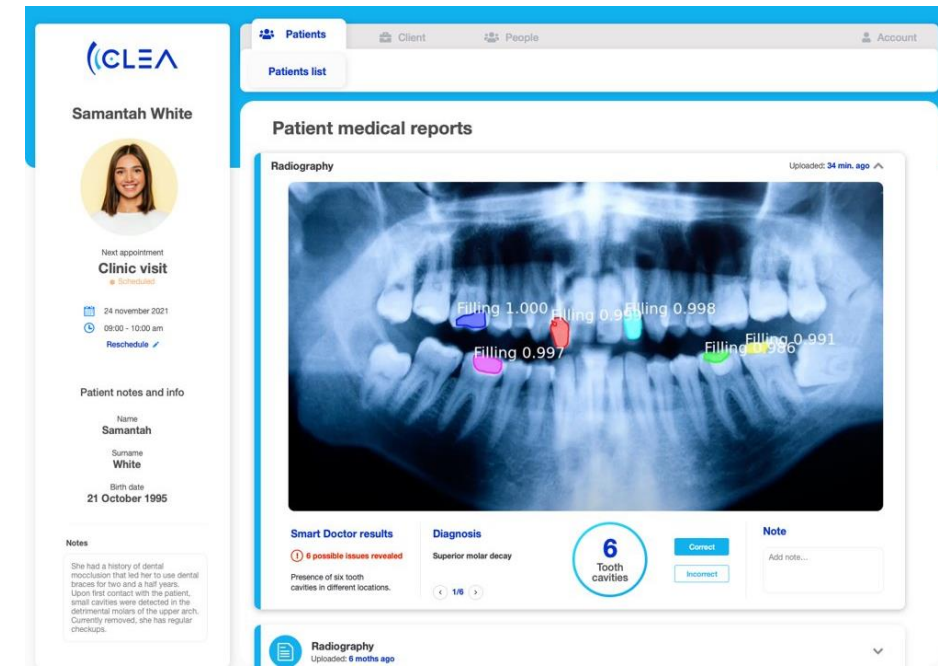


Smart Dumbbell



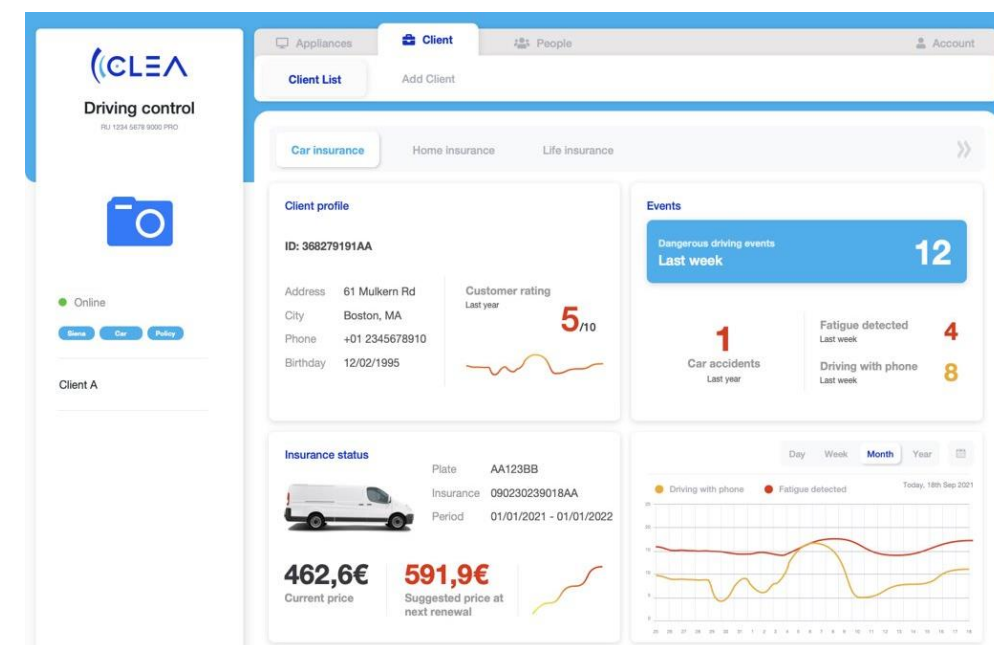
Exercise Recognition & AI Personal Trainer

CLEA Healthcare App



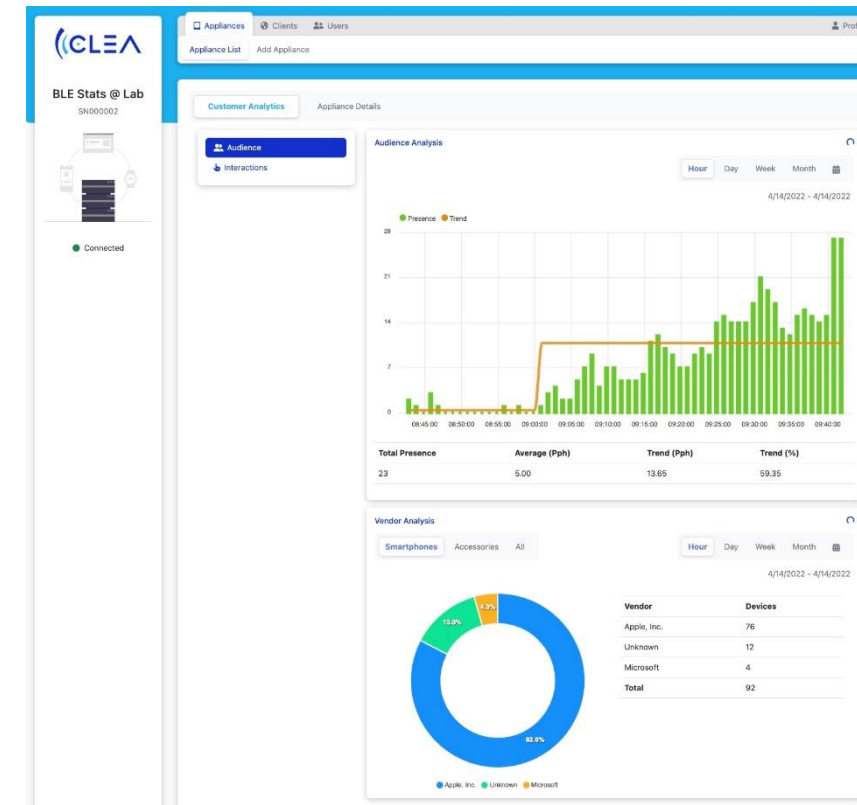
AI Tooth Cavity Detection App

CLEA Automotive App

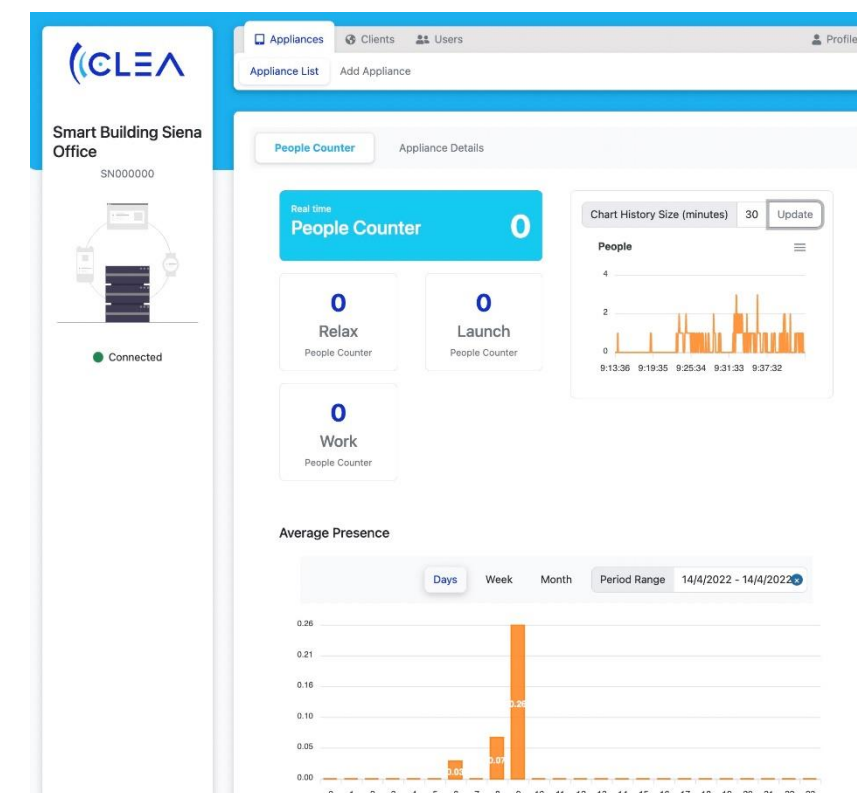


AI Driver concentration App

CLEA for Smart Cities

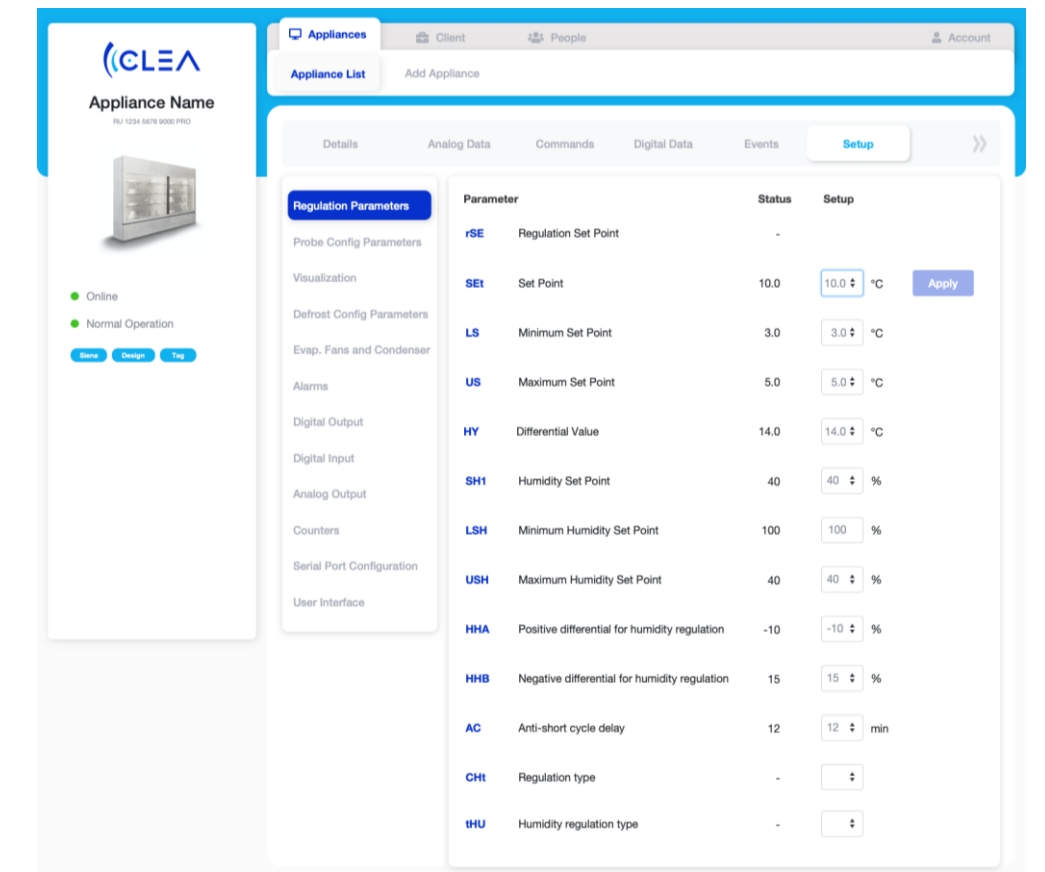


BLE Audience Analysis



People Counter and Tracking

CLEA Refrigeration App



Remote Setup and Management

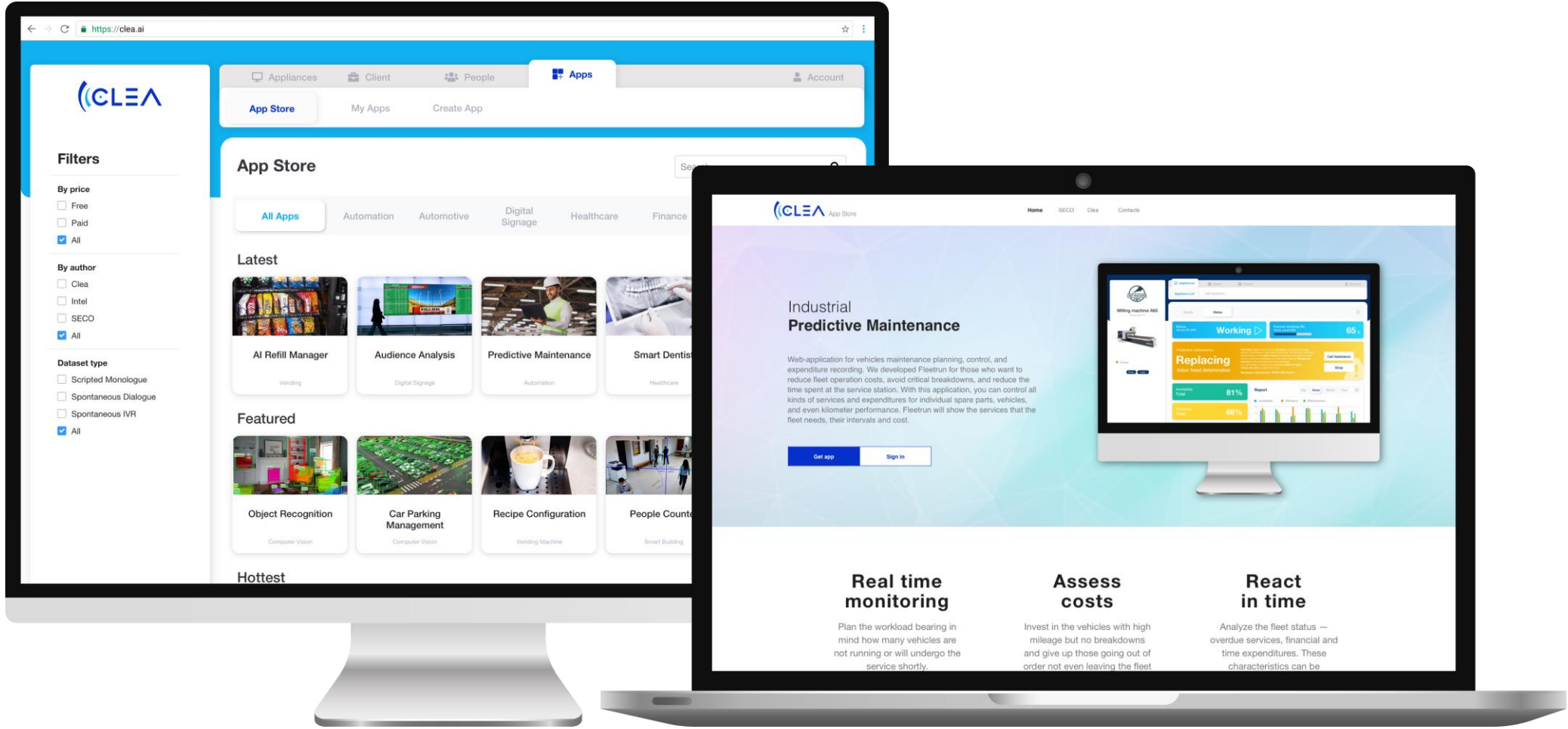
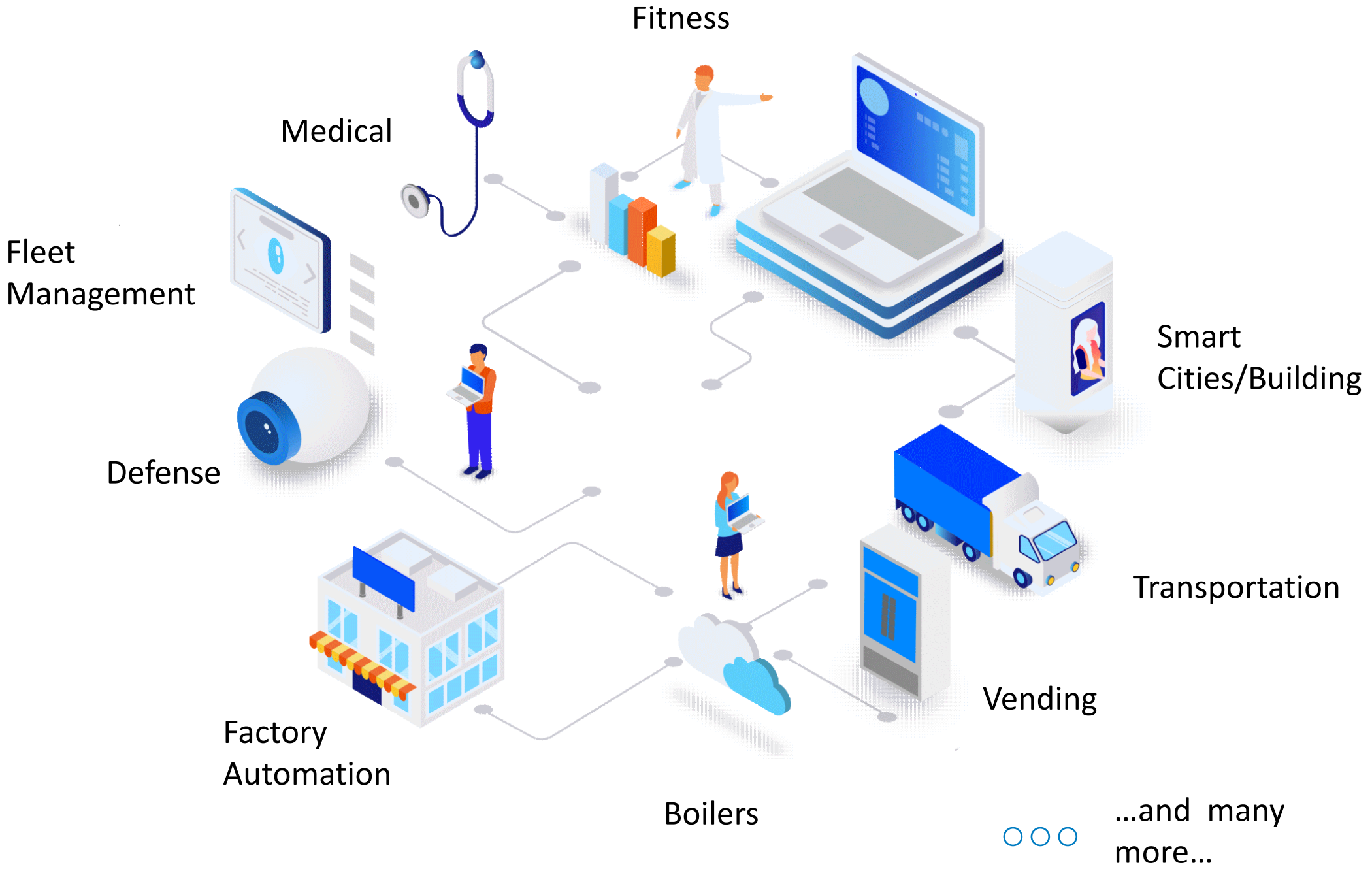
An innovative strategy for a long-term growth path

Deeply understanding customers' needs proves crucial when it comes to customizing AI algorithms

Strong value creation opportunity from introducing specific functionalities for each vertical

Each sector has its own KPIs to watch, **making AI customization change significantly across each vertical**

Cross-sector experience generating **strong IP for each vertical**: launching the CLEA App store



“Apple-like” successful approach based on an ecosystem of applications and connected devices with proprietary hardware and software



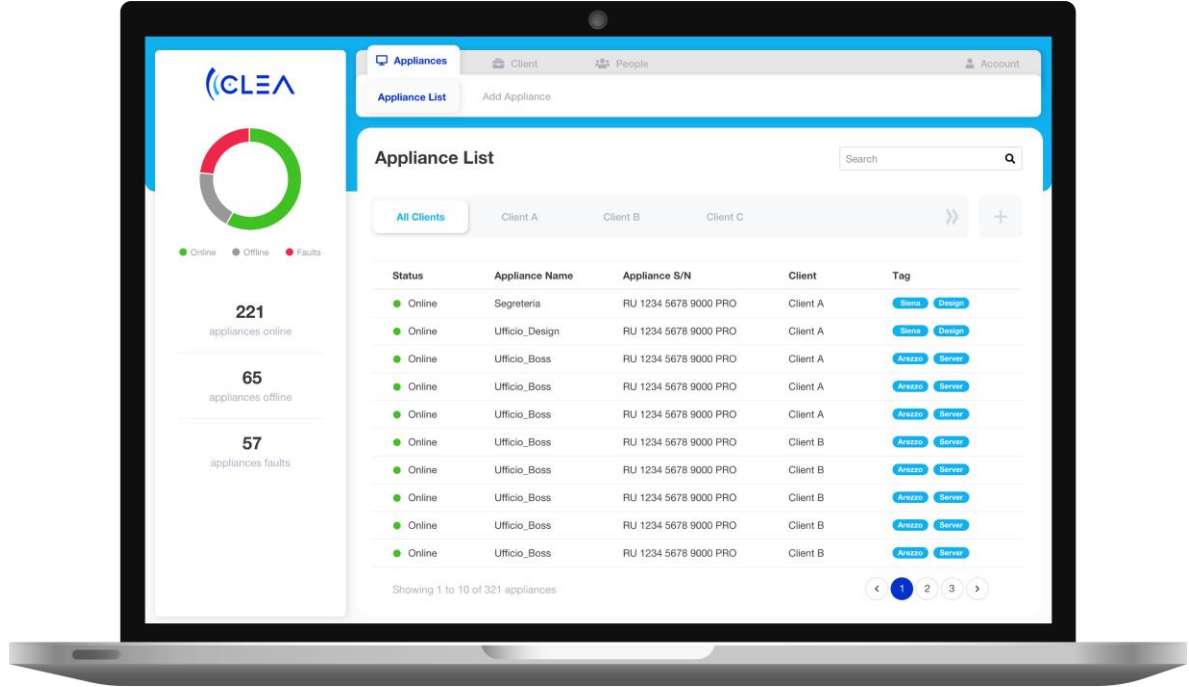
Endless ways to the future

An innovative strategy for a long-term growth path

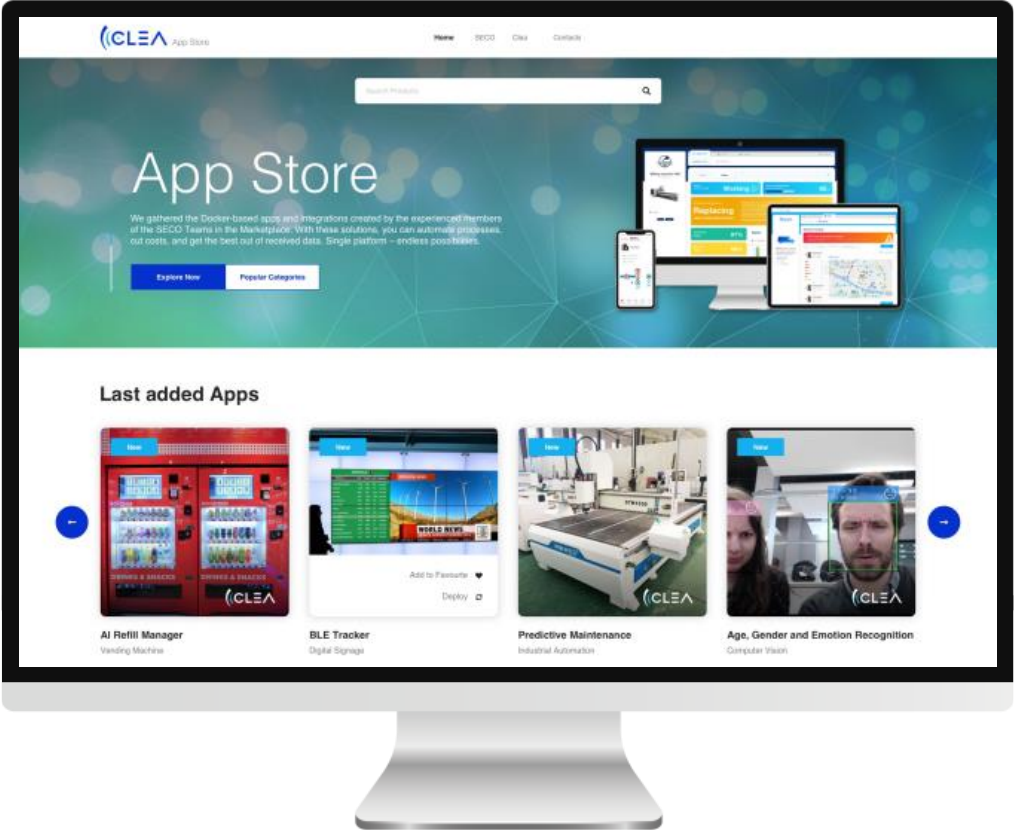
What's next? Complementing organic growth with additional, value-accretive transactions to further expand our competitive advantage



Edge computing



CLEA



CLEA App store

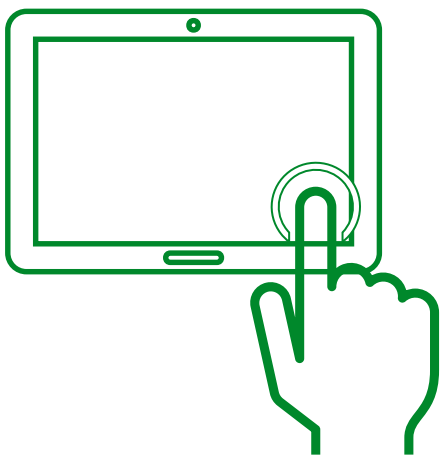
M&A: key focus areas by segment



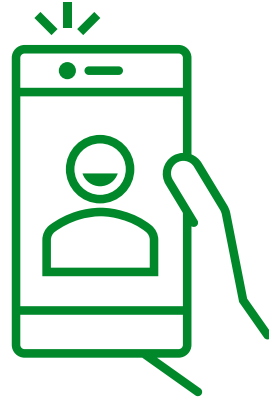
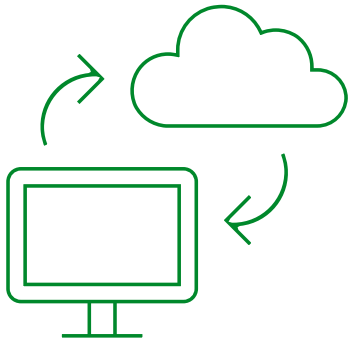
Customer base



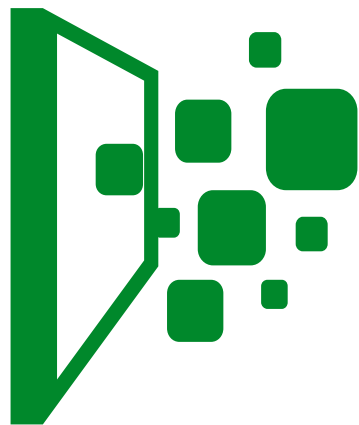
Geographies



New technologies and functionalities



New Apps





Endless ways to the future

Thank you
