



Endless ways to the future

SECO: 9M and Q3 2022 Results and Business update

presentation

November 10, 2022

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Here today



Massimo Mauri
CEO



Lorenzo Mazzini
CFO

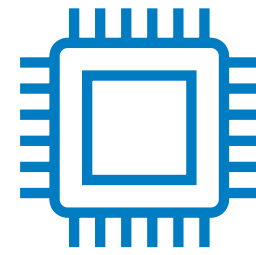
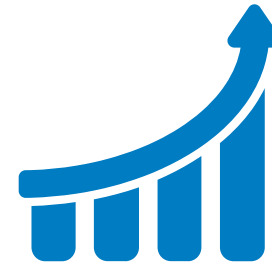


Marco Parisi
Head of Investor Relations

Key takeaways from 2022 YTD

1.

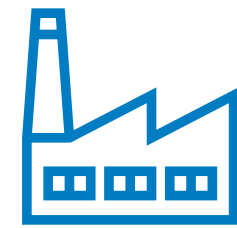
*Delivering execution
in a complex
scenario*



- **9M 2022:** Net sales at **€144.8m**, **+116%** vs. 9M 2021 (**+53%** organic growth, **+43%** on a like-for-like basis)
- Adj. EBITDA at **€32.1m** (**22.1%** of sales), **+128%** vs. 9M 2021
- **Q3 2022: strong acceleration** of revenue (**+102%** vs. Q3 2021)
- More than proportional Adj. EBITDA growth, **+151%** vs. Q3 2021 (**23.6%** of Net sales)
- **Critical components stocking:** investments continued in Q3 2022, a strategic decision to secure future growth
- **€4.2m cash generation** in the last two quarters thanks to strong business expansion

2.

*Solid and resilient
business model*



- **GPM** incidence stable in 9M 2022 vs. FY 2021, at **47.1%**;
- Q3 2022: **47.5%** of Net Sales (vs. 46.8% in H1 2022)
- CLEA business at **€15m** in 9M 2022 (**10%** of sales), **+548%** vs. 9M 2021
- **€5m** in Q3 2022, **+269%** vs. Q3 2021

3.

*Increased visibility
on 2022-23*



- **Order backlog at €169m** at 31.10.22, vs. **€114M** (October 2021), **+48%** on a like-for-like basis
- **FY 2022 Net sales guidance at €200m confirmed** thanks to orders already in backlog

Focus on Q3 2022

Revenue growth driving operating leverage

Net Sales

Gross margin

Adj. EBITDA

Growth (€m and %)

+€25.5m (+102%)

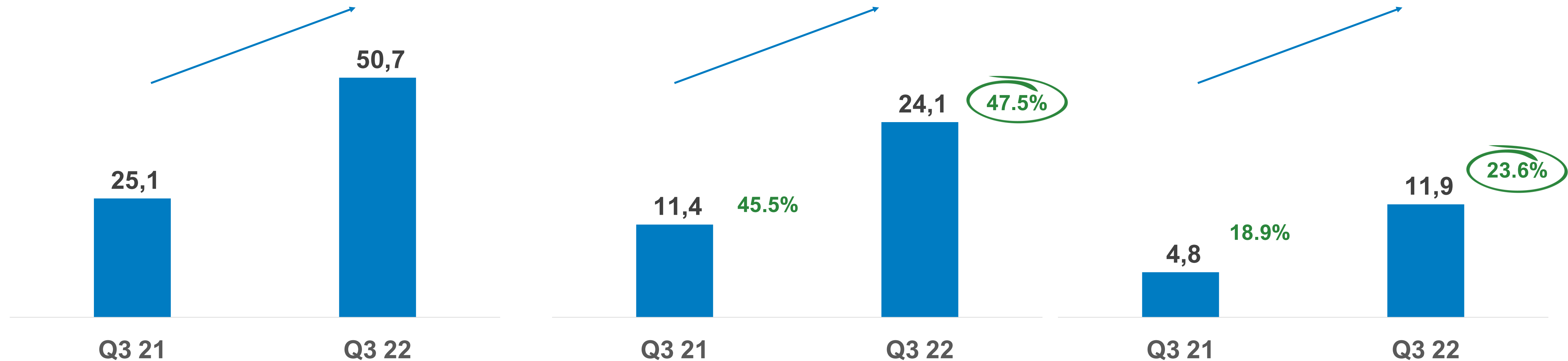
+€12.6m (+110%)

+€7.2m (+151%)

% of Net Sales (Δbps)

+200bps

+463bps



Legend

x.x% % of Net Sales

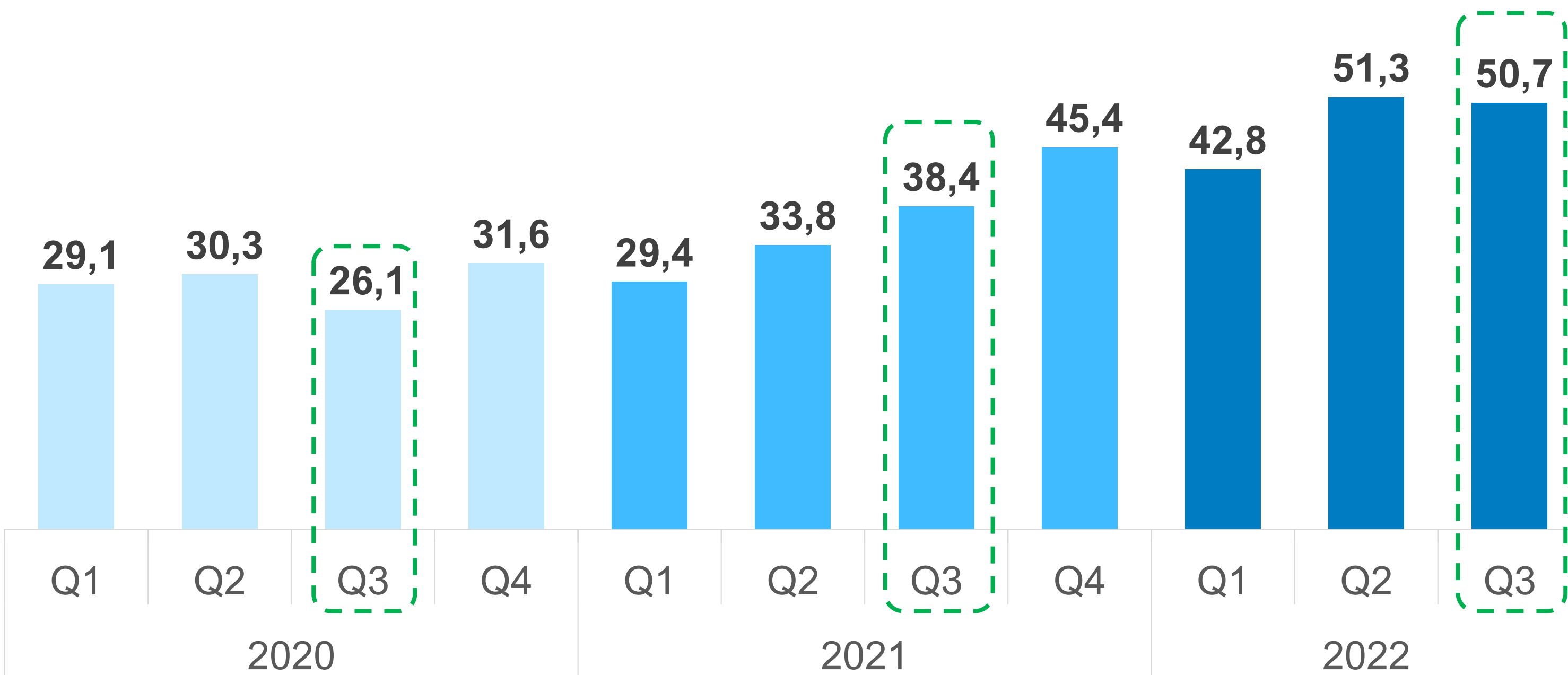


Endless ways to the future

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

€48,3M
2022 YTD

9M 2022 financial highlights

9M21 → 9M22

Net sales

€66.9m → €144.8m

- **+53%** organic growth, **+43%** like-for-like growth in 9M 2022 vs. 9M 2021
- Edge computing business growing at **101%** in 9M 2022 vs. 9M 2021
- CLEA revenue at **€15m** in 9M 2022 (vs. €2.2m in 9M 2021)

Gross margin

€31.5m → €68.1m

47.1%

47.1%

- **47.5%** of net sales in Q3 2022, vs. 46.8% in H1 2022
- Price increase actions adopted in previous quarters have helped improve the gross margin incidence
- Positive impact from CLEA revenue

Adj. EBITDA

€14.1m → €32.1m

21.0%

22.1%

- Operating leverage continuing in Q3 2022 thanks to business acceleration and OPEX control

Adj. Net Income

€7.2m → €15.0m

10.7%

10.4%

- D&A: +€5.4m higher vs. 9M 2021
- Financial expenses: +€2.7M higher vs. 9M 2021, largely due to G&F acquisition financing
- Taxes calculated with theoretical tax rate

...% = % of Net sales

Net sales

€144.8m

9M 2022 Net sales

+€77.8m

9M 2022 vs. 9M 2021



9M 2022 vs. 9M 2021 growth

2x

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

6.5x

CLEA growth

10% of
Net sales



€15m

9M 2022 CLEA revenue



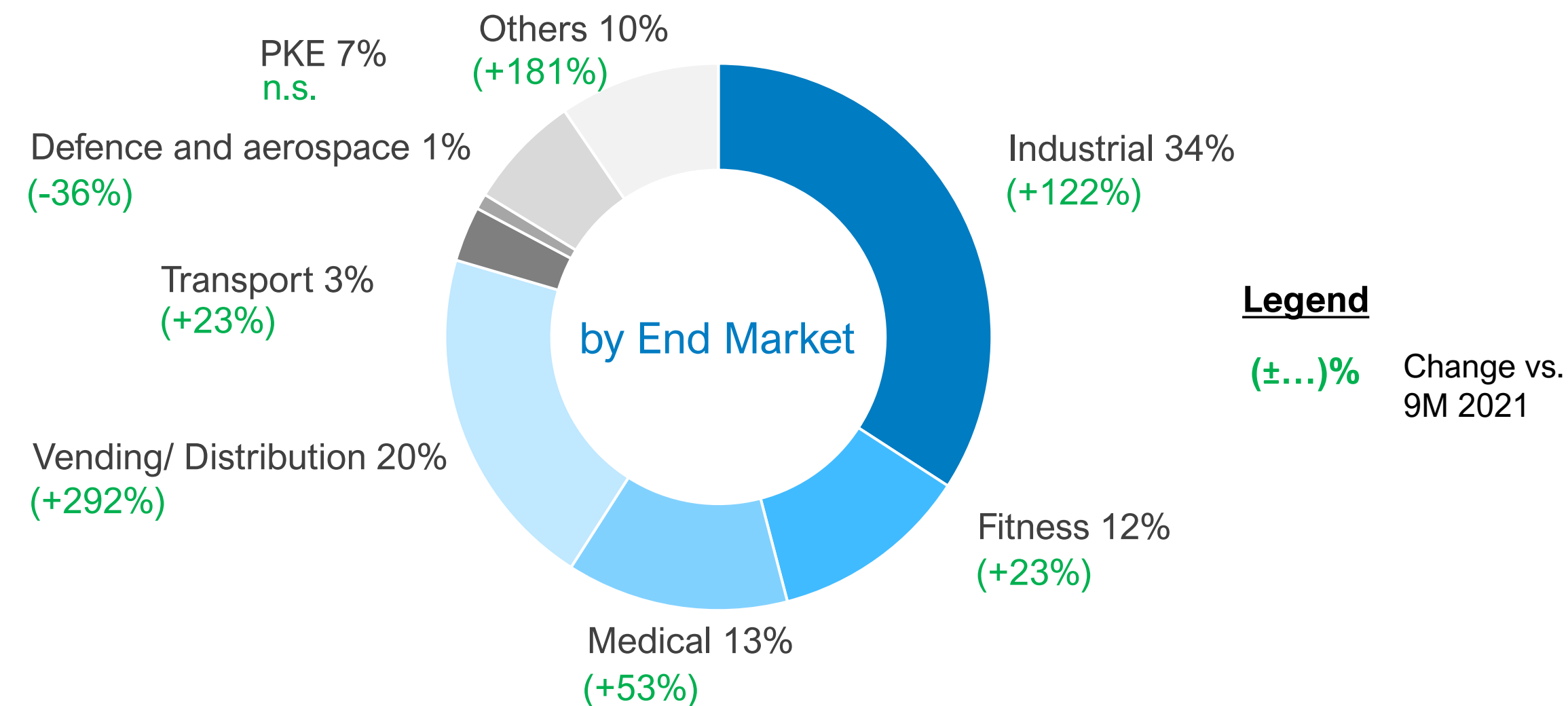
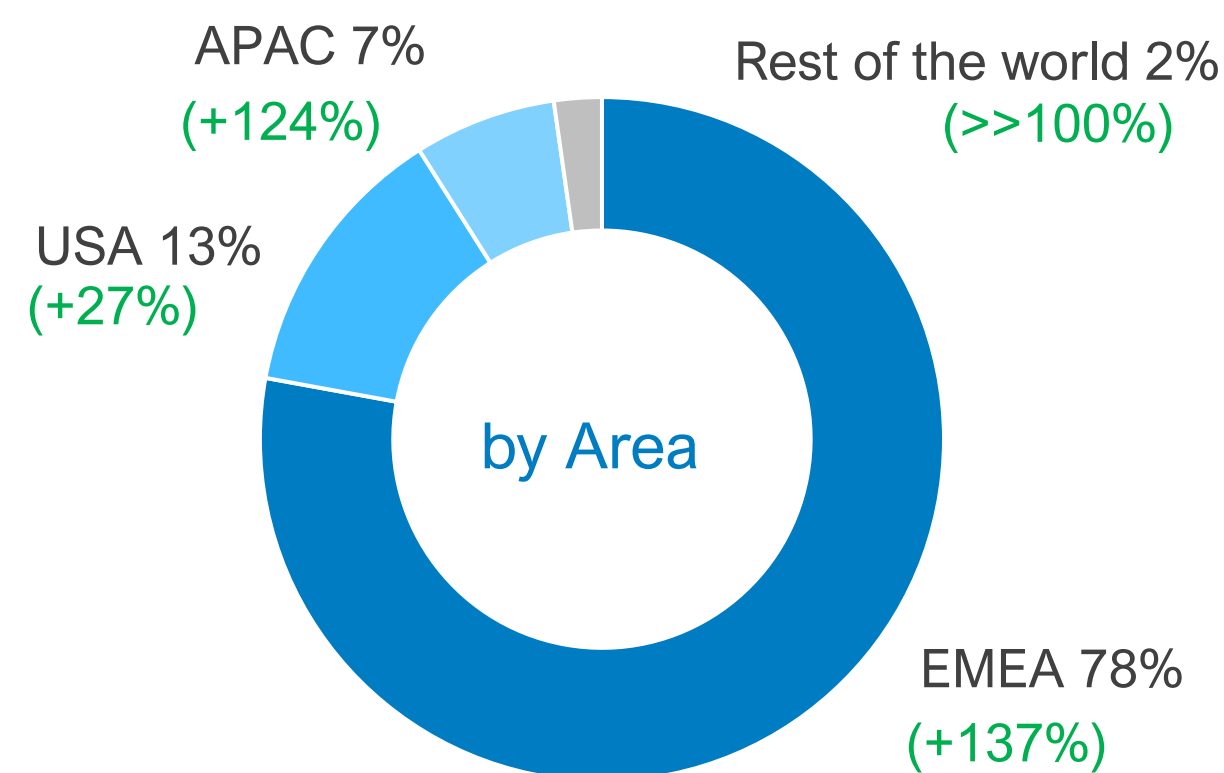
€5m

in Q3 2022

+269%

vs. Q3 2021

Net sales breakdown (9M 2022)



Legend

(±...)% Change vs. 9M 2021

- 9M 2022 Net sales growing by **+116%** vs. 9M 2021 (**+53%** organic, **+43%** on a like-for-like basis)
- Edge computing business at **+101%** in 9M 2022, largely thanks to a growth in the Industrial, Fitness, Medical, Vending industries

- CLEA business continuing its expansion trend, hitting **€15m** revenue in 9M 2022 (**+548%** vs. 9M 2021) of which **€5m in Q3 2022**
- EMEA, APAC, USA markets all showing growth trends

Adjusted EBITDA

€32.1m

9M 2022 Adj. EBITDA

+€18.0m

9M 2022 vs. 9M 2021

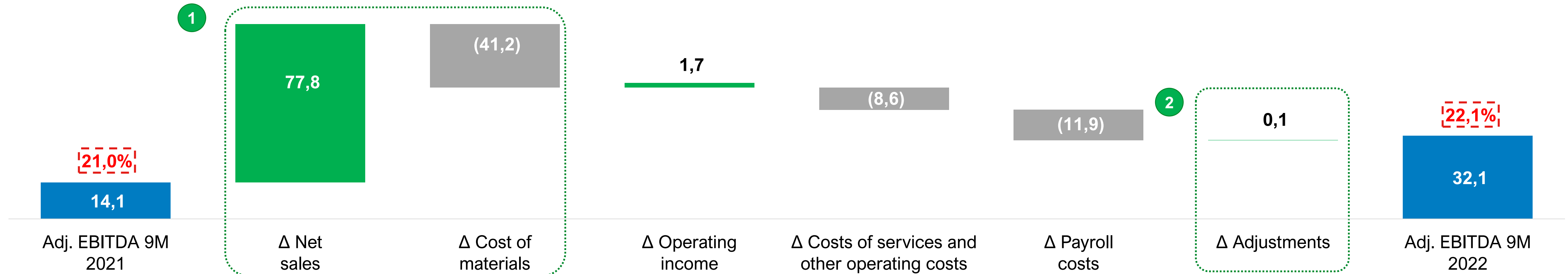
+128%

% growth vs. 9M 2021

22.1%

of Net sales

Adjusted EBITDA bridge (€m)

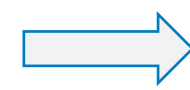


1 Gross margin effect

- 9M 2022: **+116% growth** vs. 9M 2021 mainly explained by **business expansion** in Edge computing and CLEA segments and **price increase** actions taken in past months becoming effective
- Operating leverage generation in Q3 2022

(Q3 2022 vs. Q3 2021)

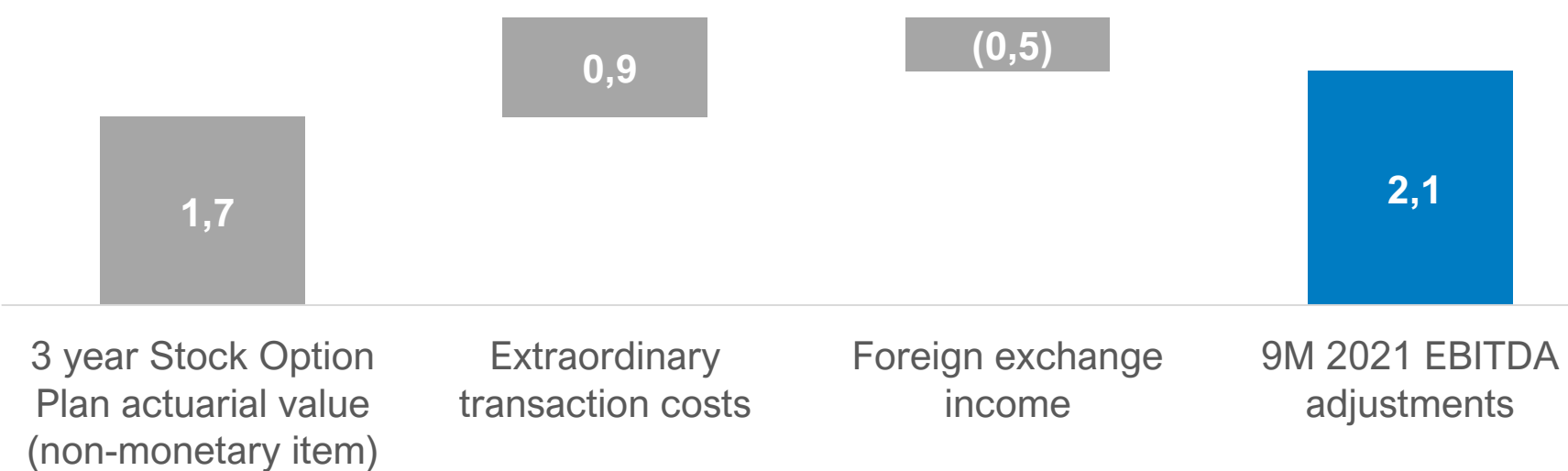
Net sales
+102%



Adj. EBITDA
+151%

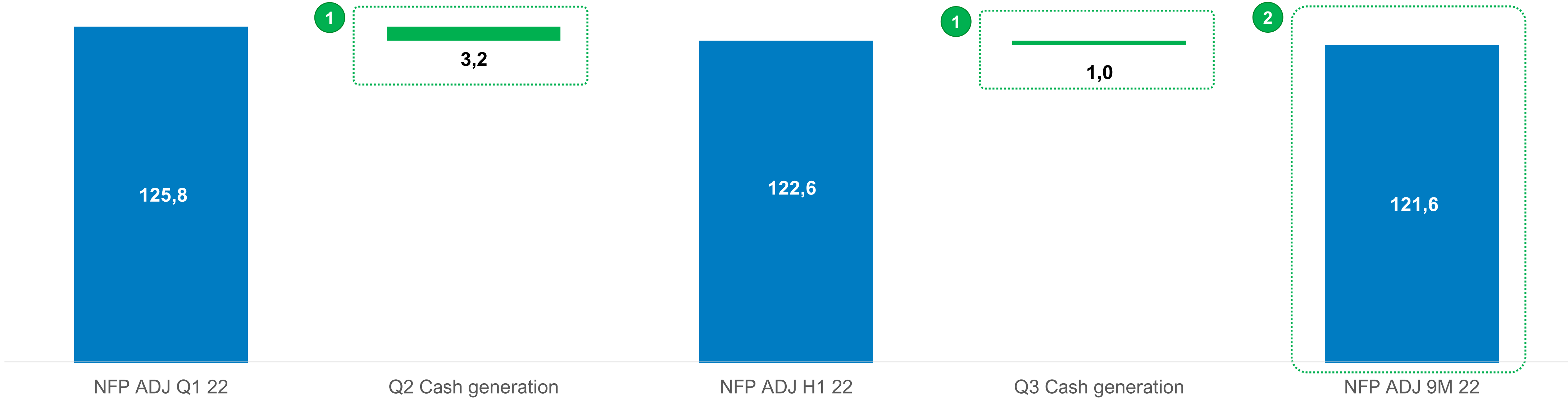
2 Adjustments

- 9M 2022 EBITDA Adjustments



Adjusted Net financial position

Adjusted Net debt bridge (€m)



1 Cash generation

€4.2m
Cash generation
in the last two quarters
thanks to business expansion

2 Net debt Adjustments

- 9M 2022 Net debt Adjustments

VAT receivables
€1,6m

€9.4m
in 9M 2022

Lease liabilities
ex-IFRS 16
€7,7m



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



Endless ways to the future

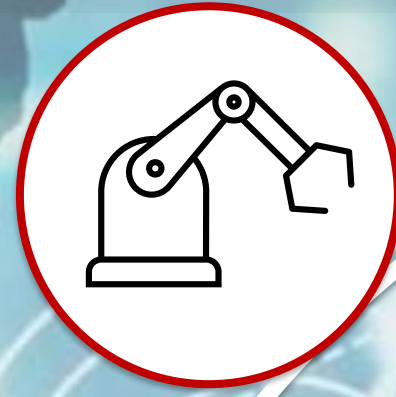
Business update

Scaling up the value chain...

Digitalization: a just-started secular trend, creating a huge market for smart devices

Where the market is going

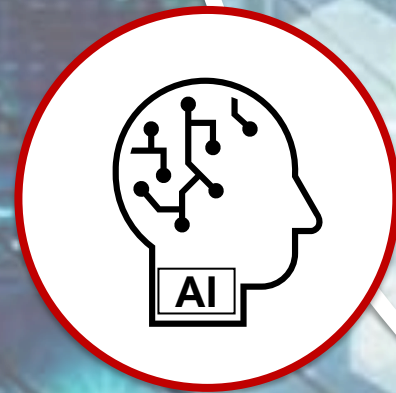
Process automation & optimization



Smart devices

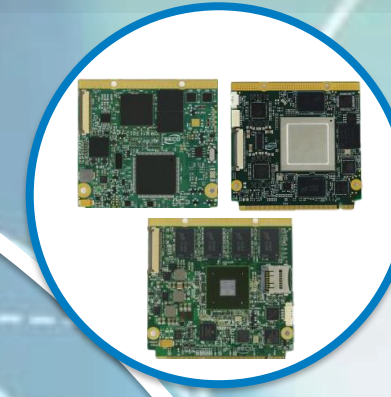


AI as an enabler of real-time data analysis



How we are supporting our customers

Modules



Systems



CLEA: IoT-AI data analytics



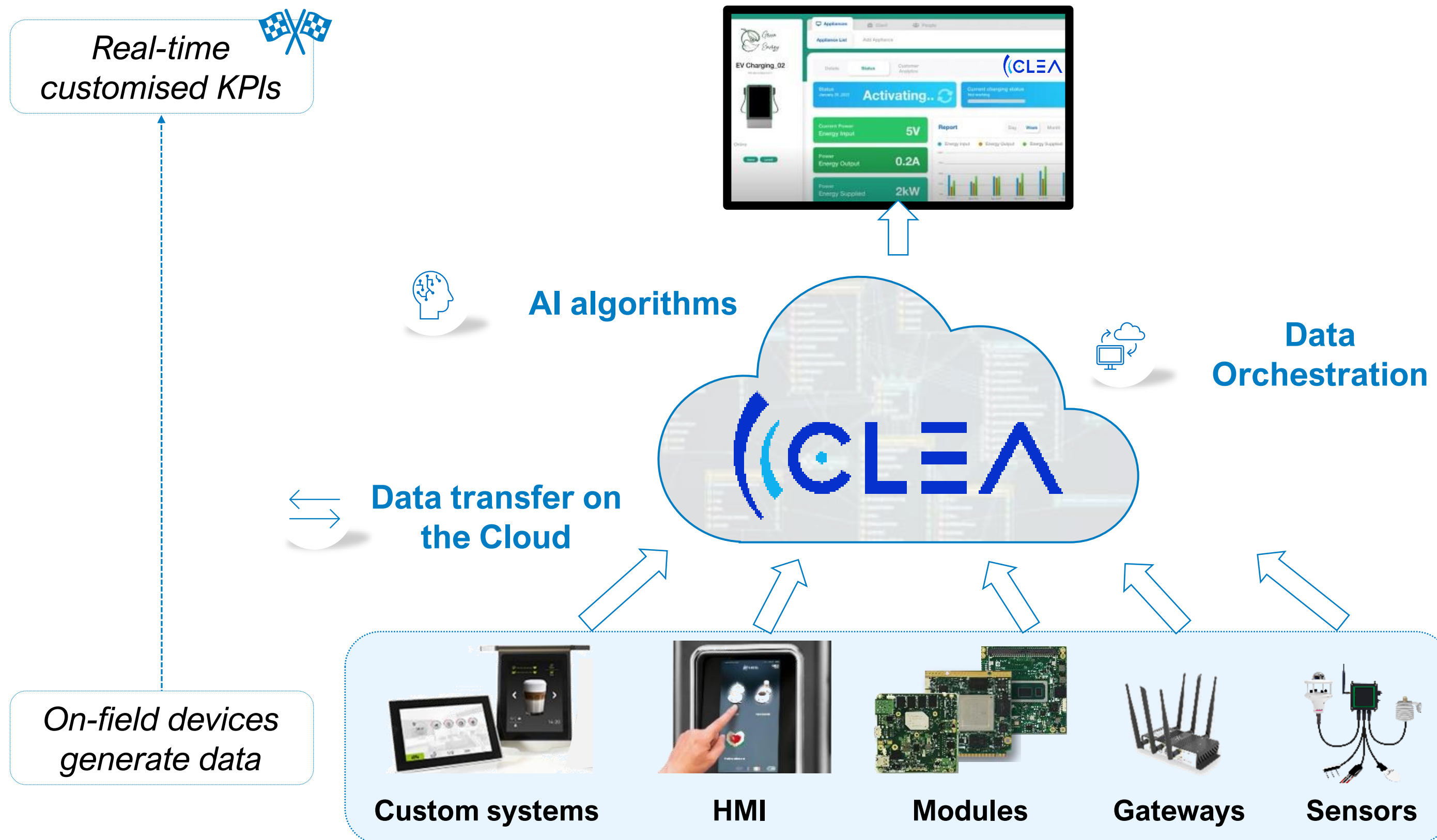
CLEA based AI Apps



Endless ways to the future

...From Hardware to Service company

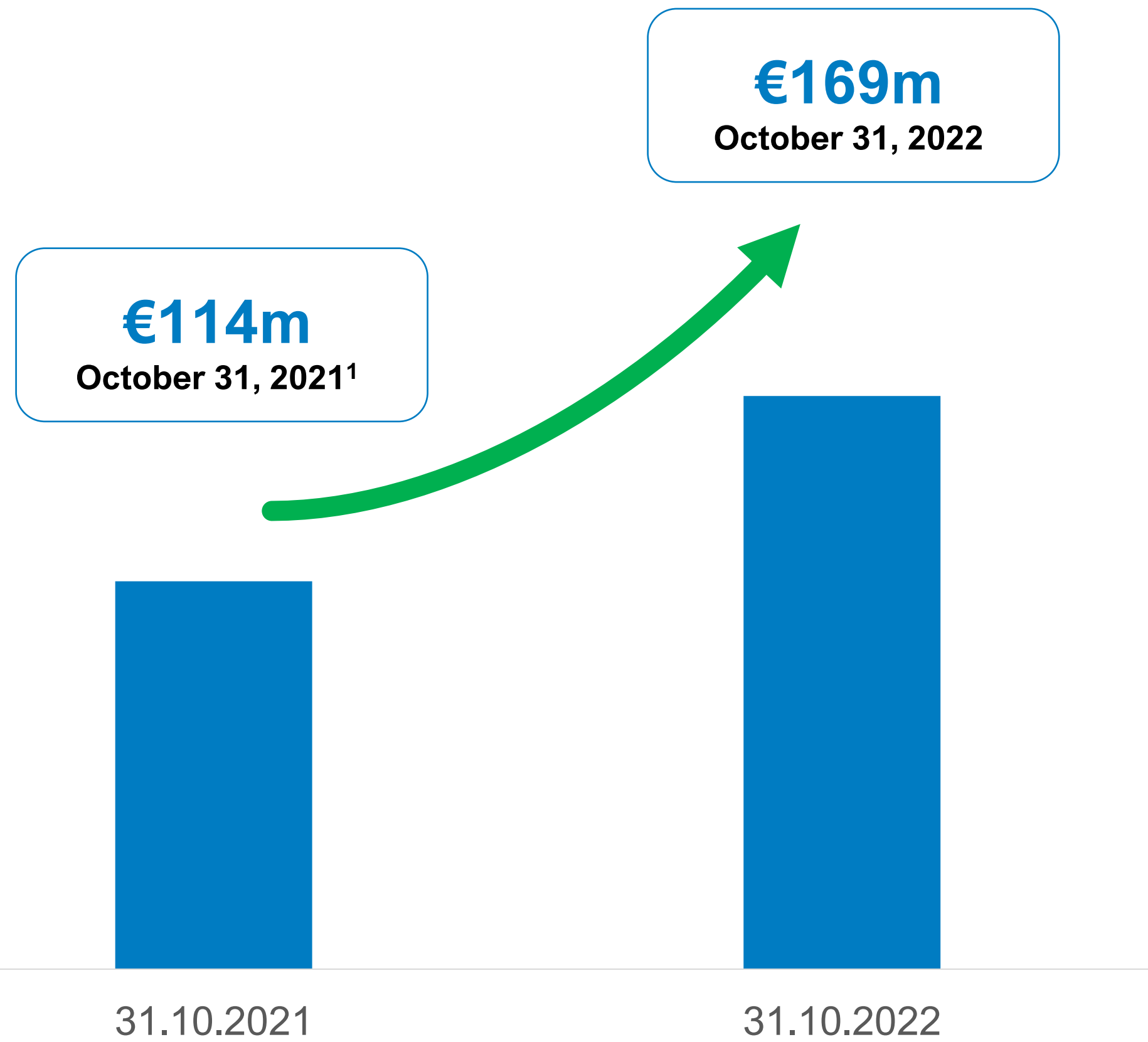
Solving complexity for our customers, allowing them to just focus on their own core business



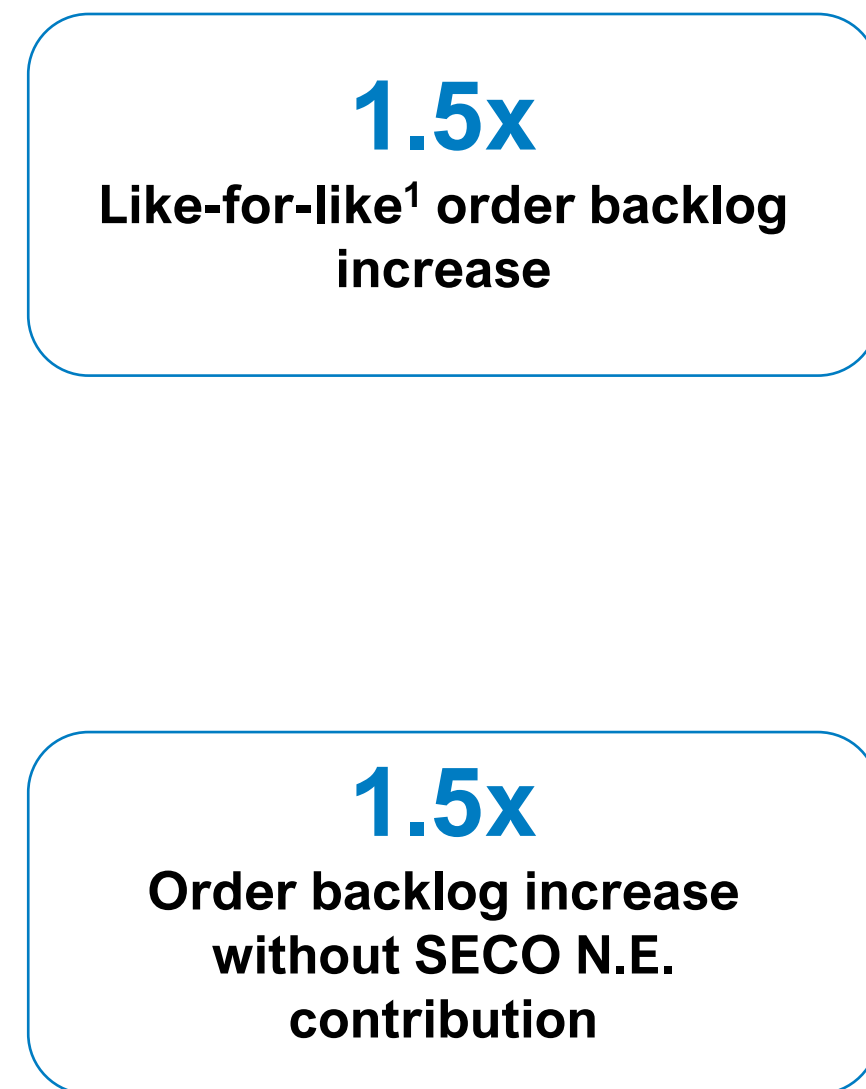
October '22 backlog

Increased visibility on FY 2022 and 2023

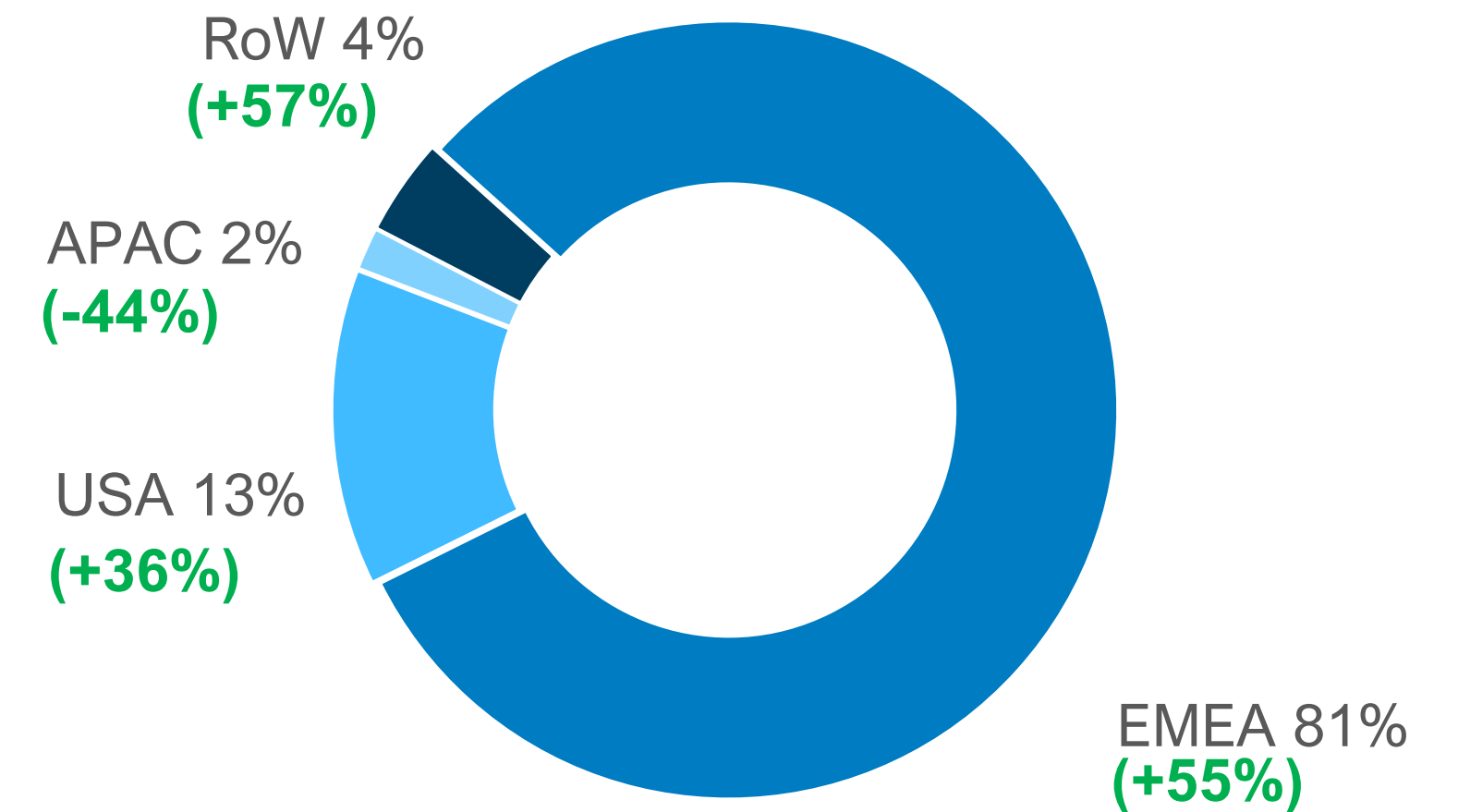
Total Order backlog (€m)



Growth rates (Oct22 vs. Oct21)



Oct22 Order backlog by area



Legend
(±...%) Change vs. Oct. 2021

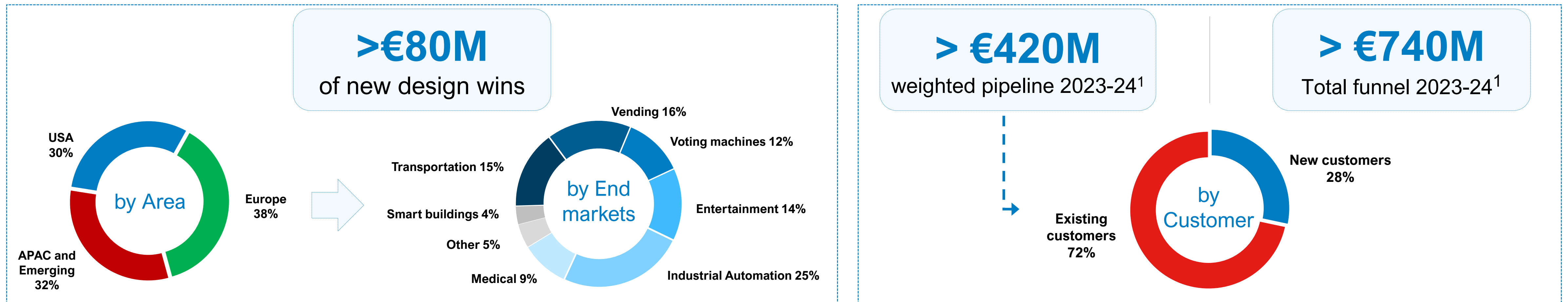


Endless ways to the future

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

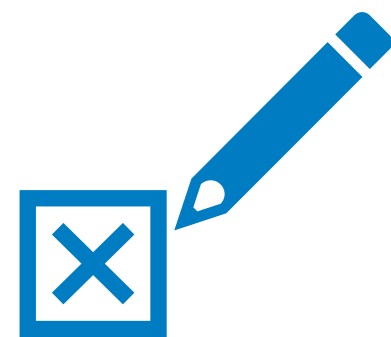
Edge computing business

Diversified base of new projects, increasing pipeline, ensuring independence from any particular market



Main recent design wins

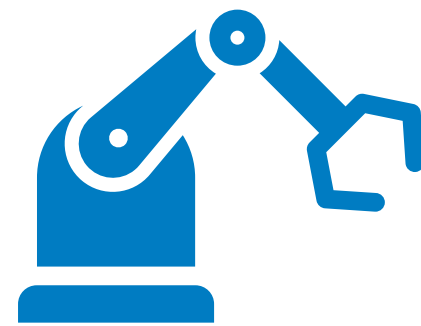
Voting



5 years Project lifetime

€10M Project value per year

Industrial Automation



5 years Project lifetime

€8M Project value per year

Medical



10 years Project lifetime

€6M Project value per year

Vending



5 years Project lifetime

€4M Project value per year

Business size



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¹ Pipeline elaborations performed as of October 2022
Note: percentages may not sum to 100% due to rounding

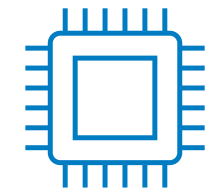
Edge computing business

What's next? Adding new functionalities and use cases to our portfolio

Some recently launched **features**



Sensors



AI accelerator



Cybersecurity

Some new **real-life** application **cases**



Functional Safety



EV chargers



Integrated sensors to offer a **complete solution**: from on-field data extraction to its real-time AI processing

Neural networks for an AI-boosted data inference

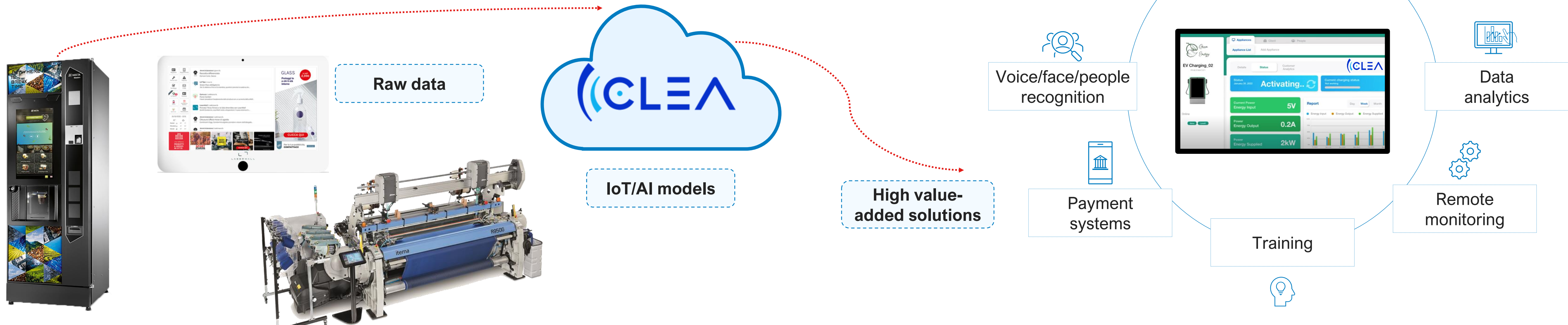
Proprietary and on-edge **AI algorithms** helping in define **on-time corrective actions**

Raise safety level of **human-machine interactions** in industrial space

Improved user experience with **HMI, connectivity, secure payment system** and **AI integrated** solutions

CLEA business

Enabling the servitization of our customers' business models



From selling hardware-only **Edge products**...



... customers are enabled to offer **digital services with recurring revenue**

Why is CLEA a Win-Win-Win business model?



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CLEA business

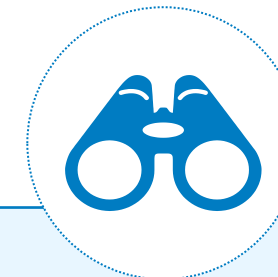
Increasing stream of new adopters and testers, with pricing structure tailored to any customer's business model



Requests to **test CLEA** are continuously **increasing**...

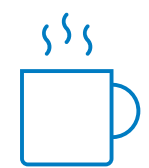


...getting us **increased visibility** from **early adopters** and **large prospects**...



...enabling us to **target new high-profile customers**

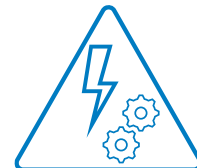
New adoption and possible future projects with industry-leading customers



Vending & Retail



Boilers



Electric motors



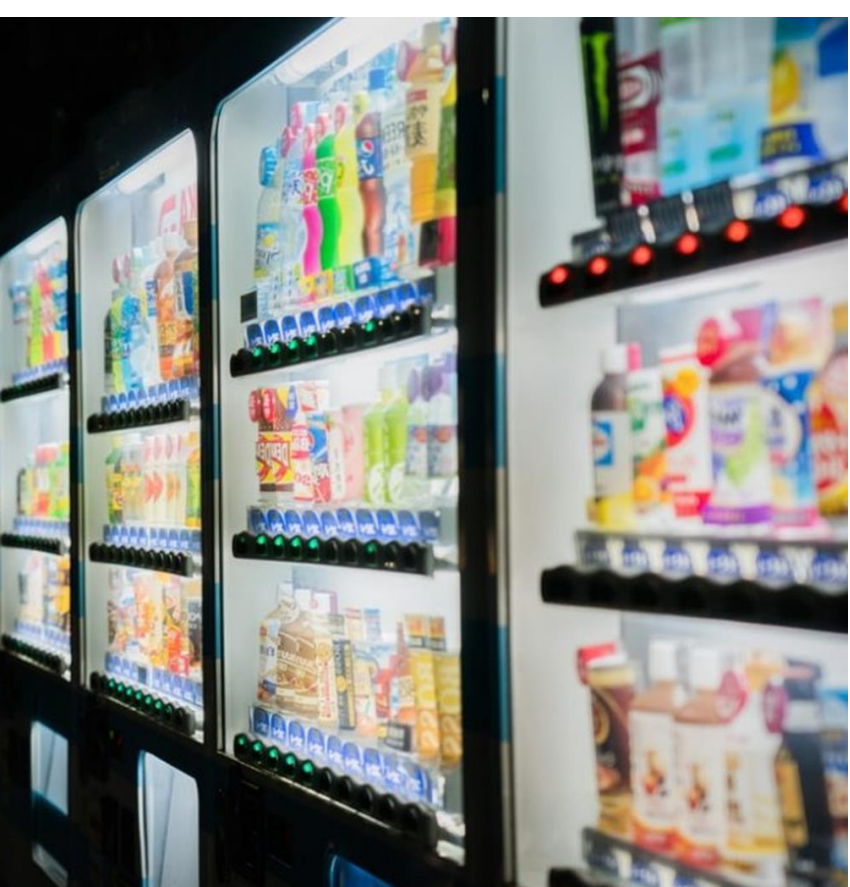
Motion tracking



CNC machines



Smart infrastructures



SECO

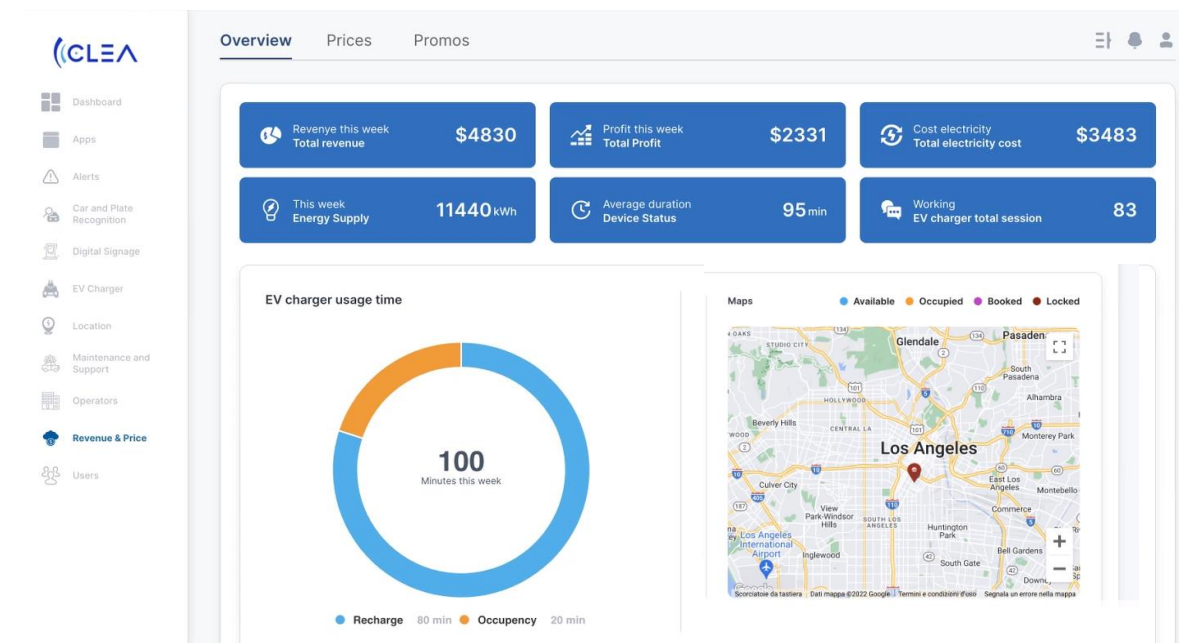
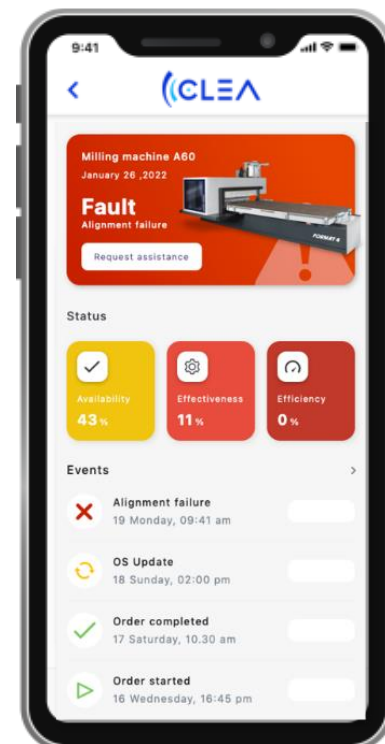
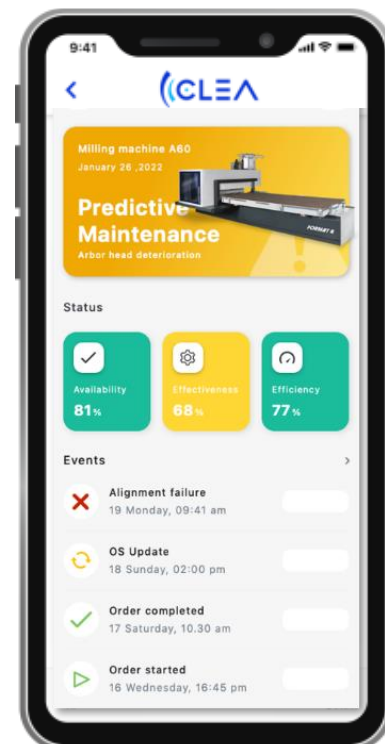
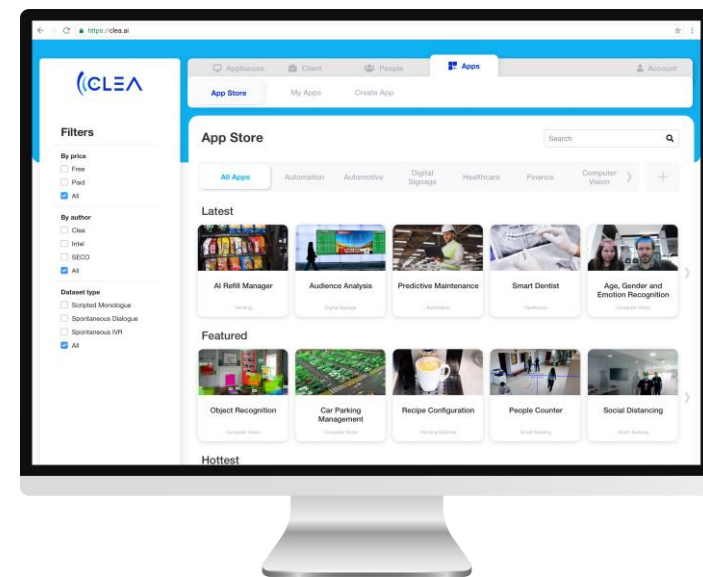
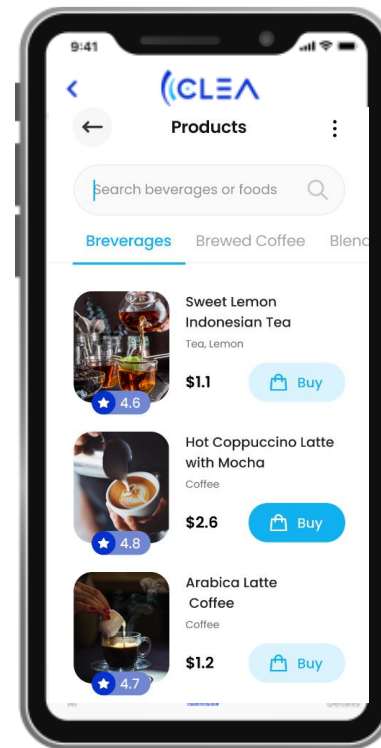
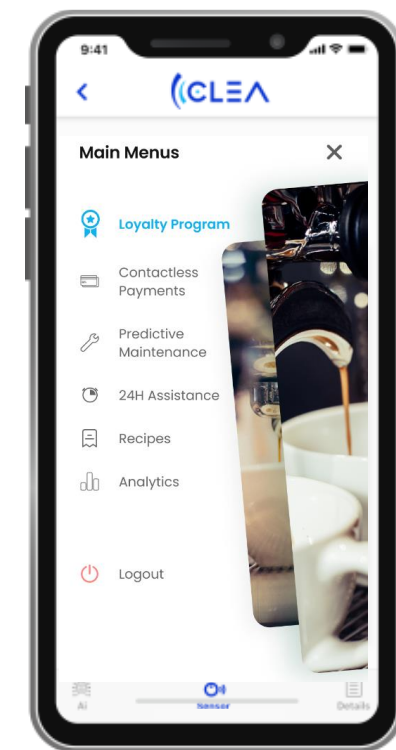
Endless ways to the future

CLEA App Store: a catalogue of apps for any need

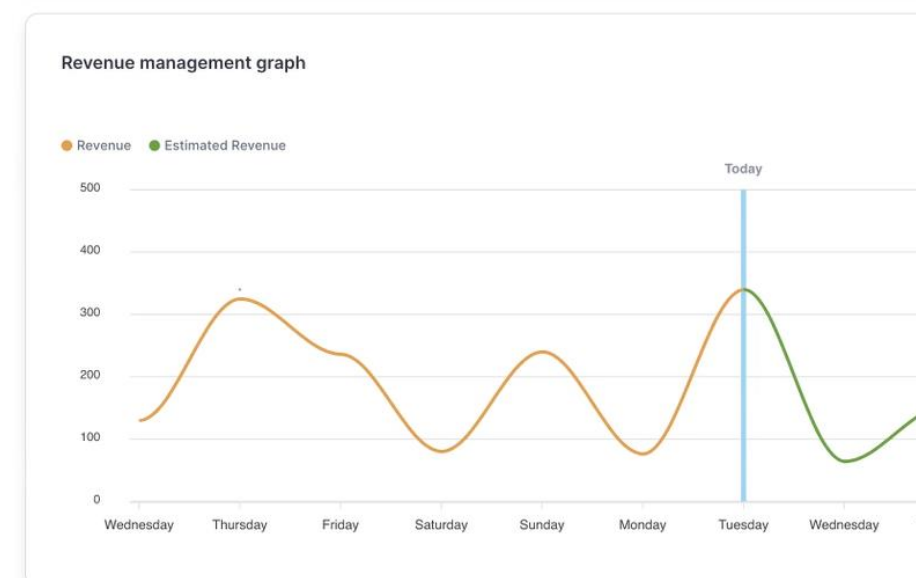
In progress along with our customers, specific by vertical, to fully exploit the potential of data in each sector



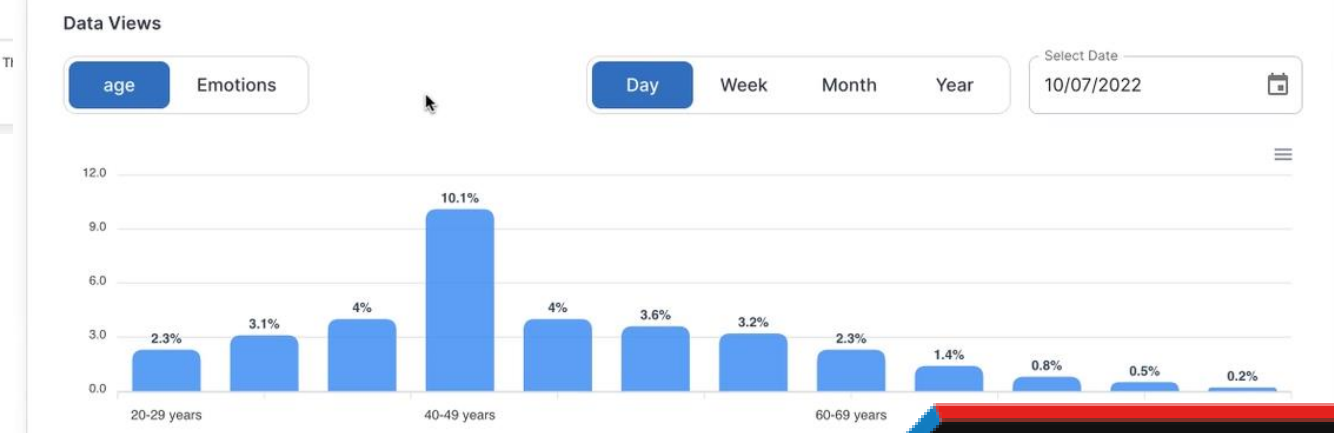
The power of AI at your fingertips



Geolocation and occupancy time

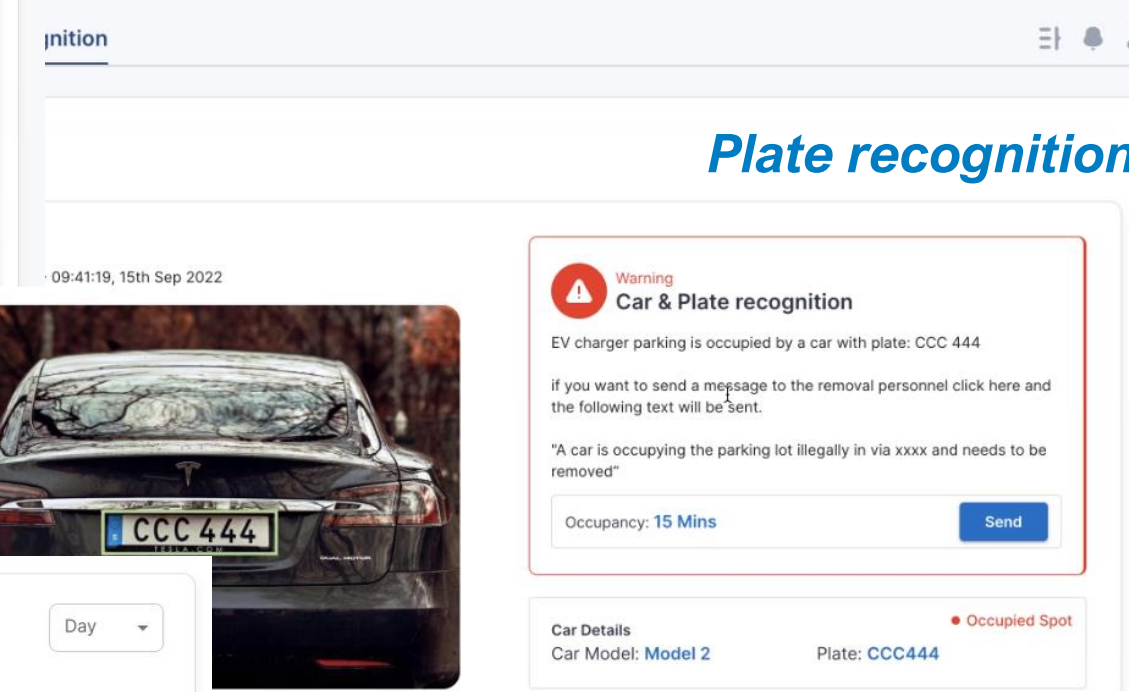


Revenue prediction



Targeted advertising services

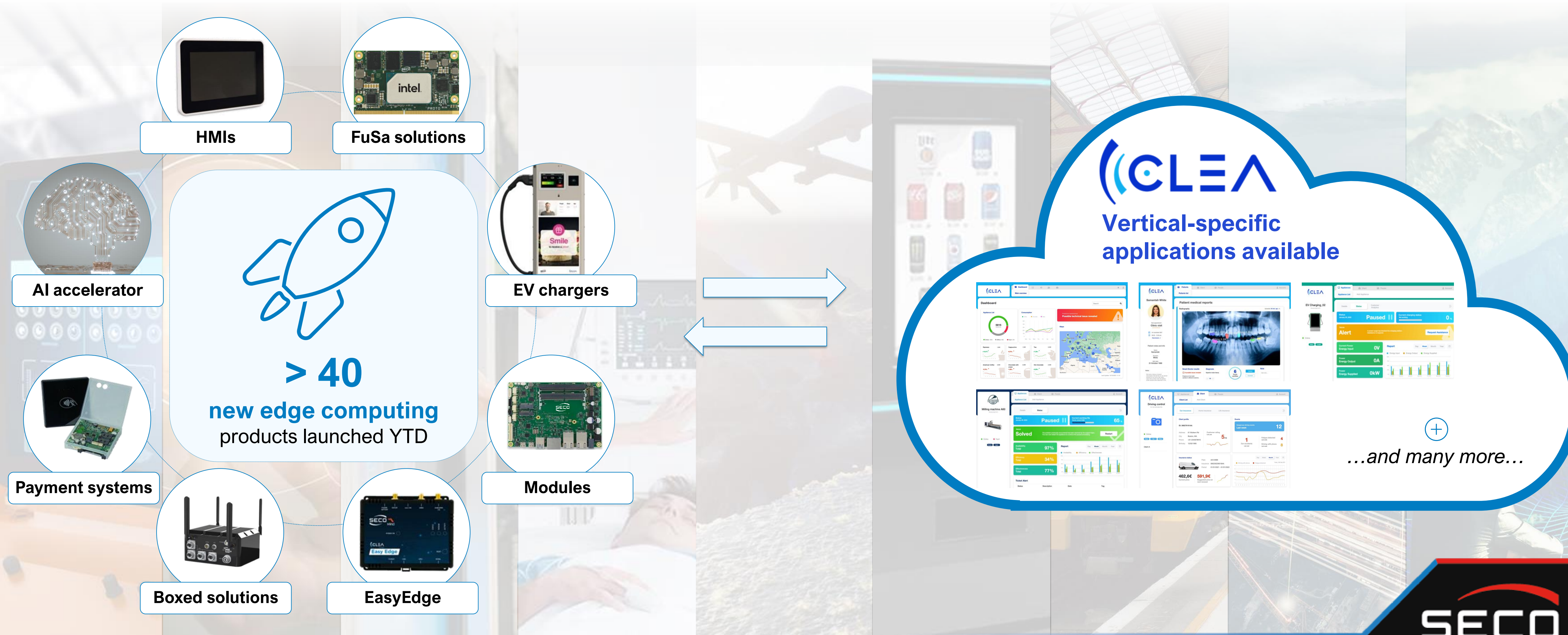
See a just launched CLEA-based app at work



Endless ways to the future

Defining the new industry end-to-end standards

Leveraging our cross-vertical expertise

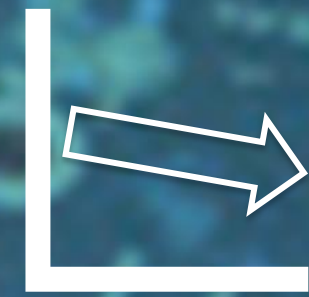


Components' market update

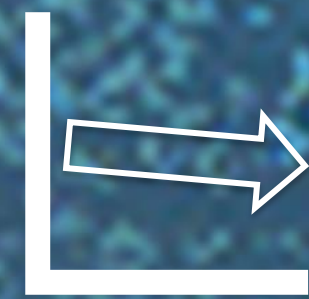
Starting to observe encouraging signs of improvement, hinting at gradual return to a normal scenario

Market signals...

Lead times



Prices

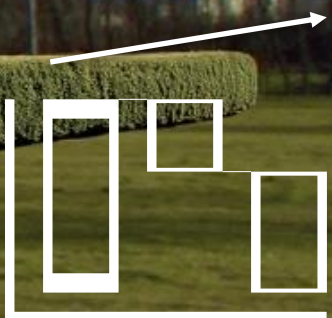


...and potential post-normalisation impacts

Working capital improvement



GPM %





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Q&A



Endless ways to the future

ANNEX

Financials overview

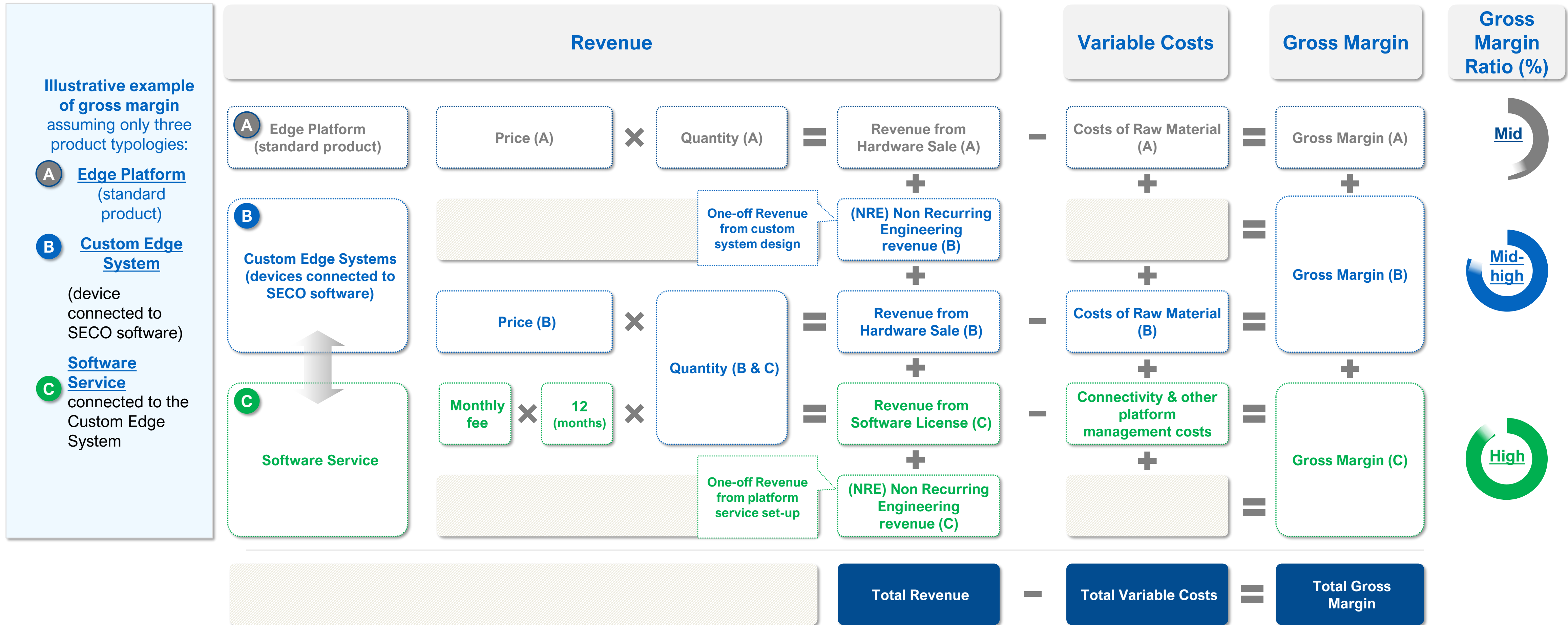
Income Statement

| €mIn | 9M 2021 | 9M 2022 |
|-----------------------|--------------|--------------|
| Net Sales | 66,9 | 144,8 |
| Consumption Costs | (35,4) | (76,6) |
| Gross Margin | 31,5 | 68,1 |
| <i>% on Net Sales</i> | <i>47,1%</i> | <i>47,1%</i> |
| Other revenues | 1,8 | 3,5 |
| Personnel costs | (14,1) | (25,9) |
| Other Opex | (7,6) | (16,2) |
| Exchange gains/losses | 0,4 | 0,5 |
| EBITDA | 12,1 | 29,9 |
| <i>% on Net Sales</i> | <i>18,0%</i> | <i>20,7%</i> |
| EBITDA ADJ | 14,1 | 32,1 |
| <i>% on Net Sales</i> | <i>21,0%</i> | <i>22,1%</i> |
| Depreciation | (4,5) | (9,9) |
| EBIT | 7,1 | 19,6 |
| <i>% on Net Sales</i> | <i>10,6%</i> | <i>13,5%</i> |
| Financial expenses | (0,4) | (3,1) |
| Tax | (1,8) | (4,9) |
| Net Income | 5,3 | 12,0 |
| <i>% on Net Sales</i> | <i>8,0%</i> | <i>8,3%</i> |

Balance Sheet

| €mIn | FY 2021 | 9M 2022 |
|--|--------------|--------------|
| Net Working Capital | 52,5 | 79,6 |
| Total Fixed Assets | 233,3 | 297,0 |
| Other non-current assets | 3,1 | 2,9 |
| Provisions and other non-current liabilities | (16,4) | (17,6) |
| Net Invested Capital | 272,5 | 361,9 |
| Net Financial Position | 109,5 | 130,9 |
| Net Financial Position ADJ. | 97,5 | 121,6 |
| Total Equity | 163,0 | 230,9 |
| Total Funds | 272,5 | 361,9 |

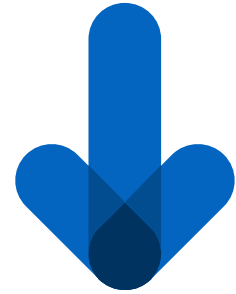
Revenue and cost model



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

Business model

High revenue visibility



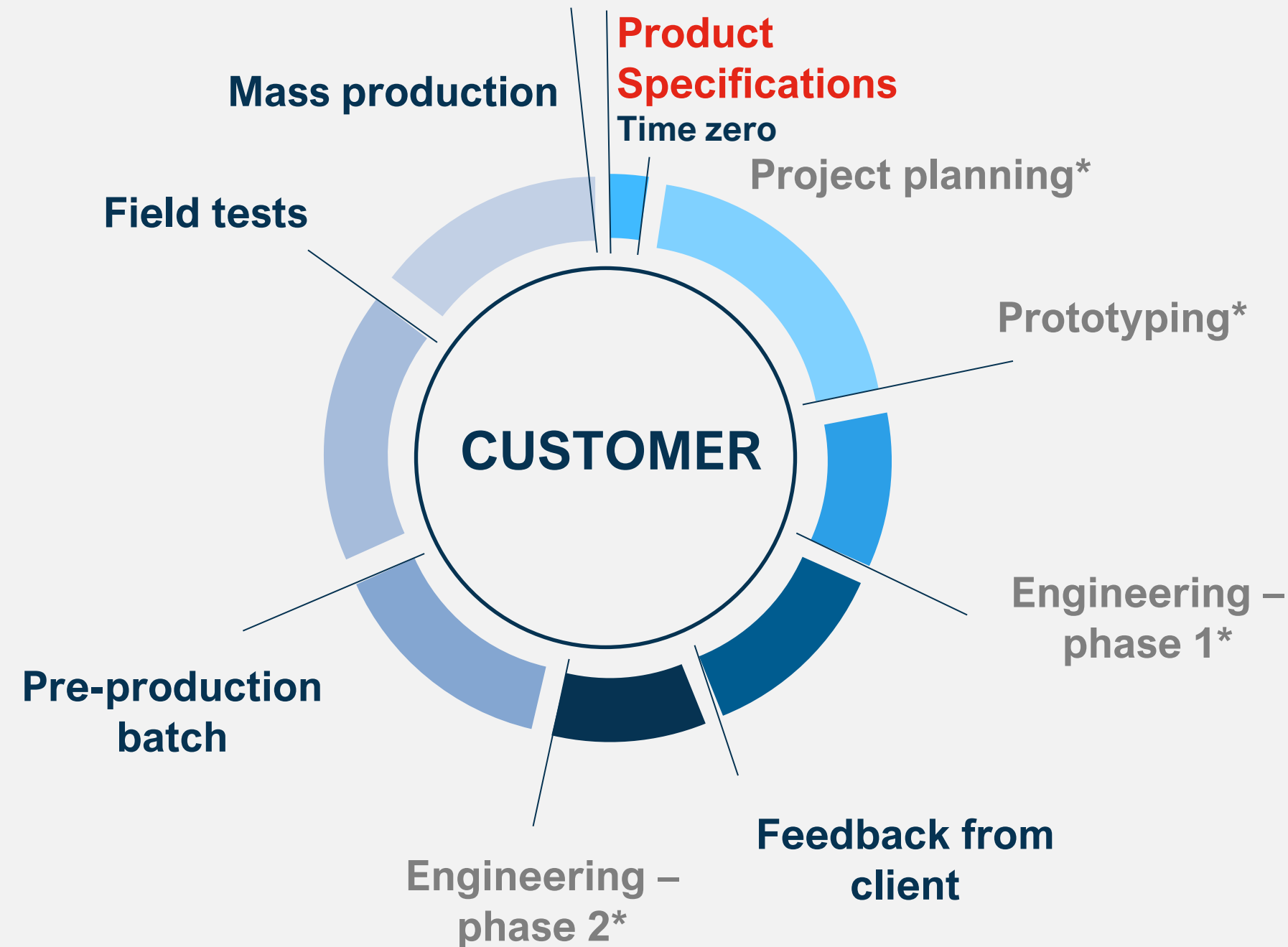
Multi-year product life cycle (3-5, up to 10+ years)

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

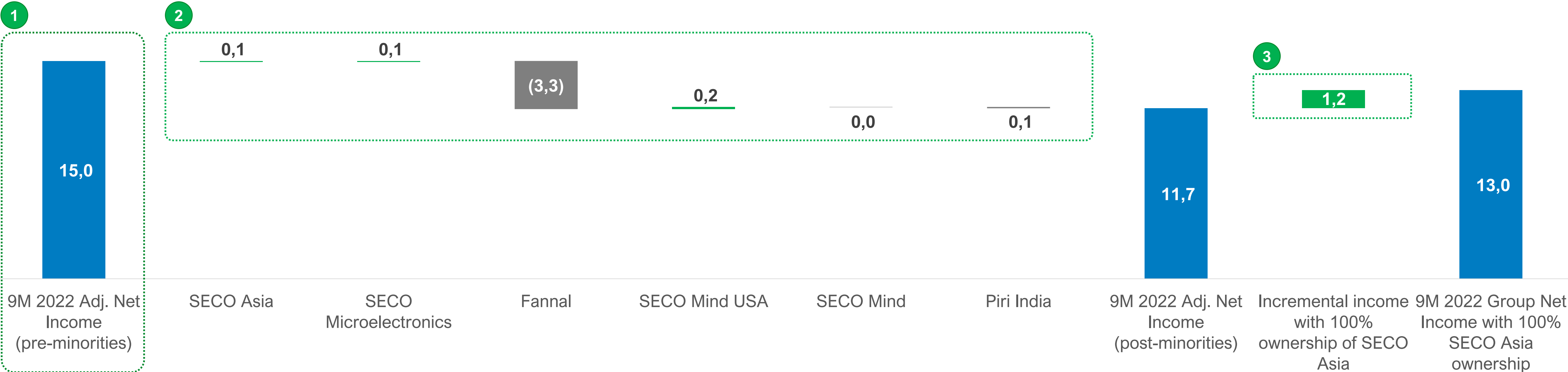
*Those production steps only refer to custom products



- **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: +€5.4m higher vs. 9M 2021
- Financial expenses: +€2.7M higher vs. 9M 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 9M 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)

→ €1.2m positive effect on post-minorities Net income after acquisition of SECO Asia minority share

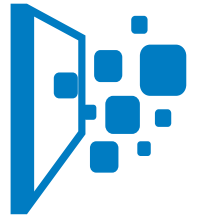
SECO at a glance

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



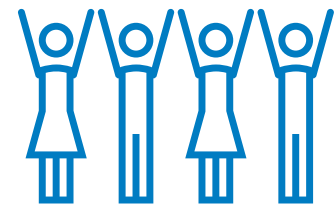
€200M

2022 FY expected revenue

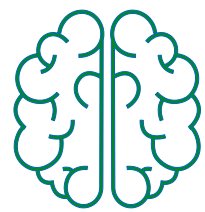


>900k devices

manufactured every year



~ 900 people



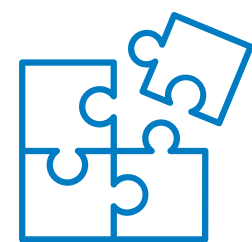
~ 300 R&D people

of which ~180 in AI algorithms development



~ 8-10%

of revenue invested in R&D every year



10 R&D centers

5 production plants



Endless ways to the future

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



Endless ways to the future

SECO at a glance

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

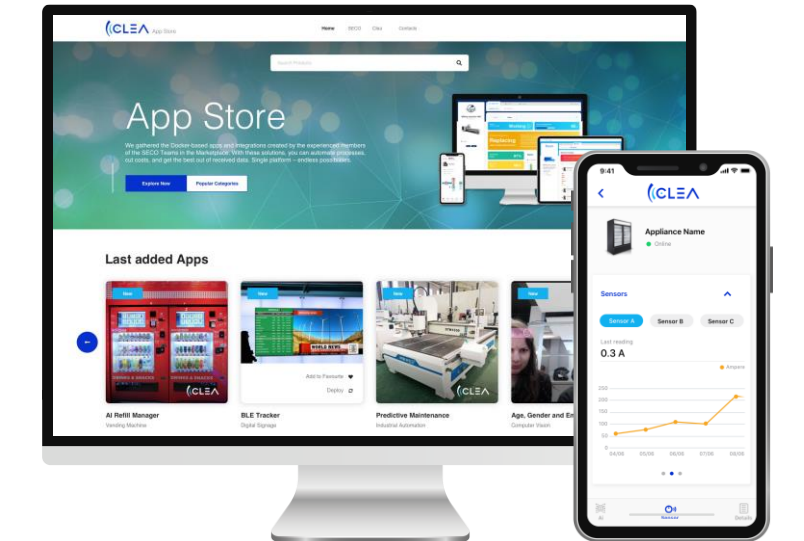
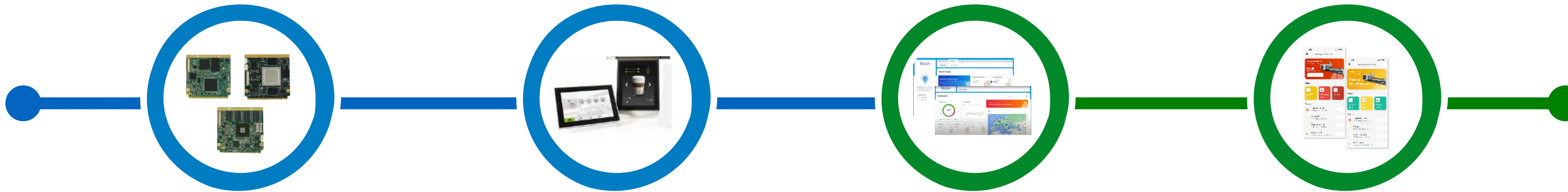
Enabling our customers' business models evolution towards the CLEA world

From modules...

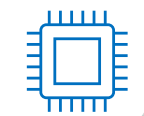
...to Systems...

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

...and a custom App store



The power of AI at your fingertips

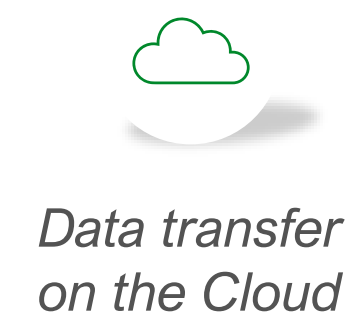
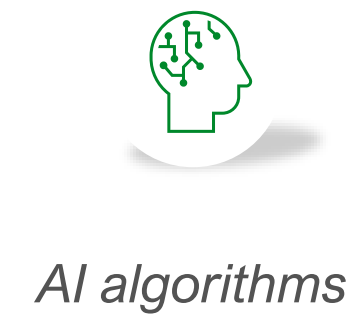


Edge computing

Makes devices "smart", enabling them to generate data

CLEA

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



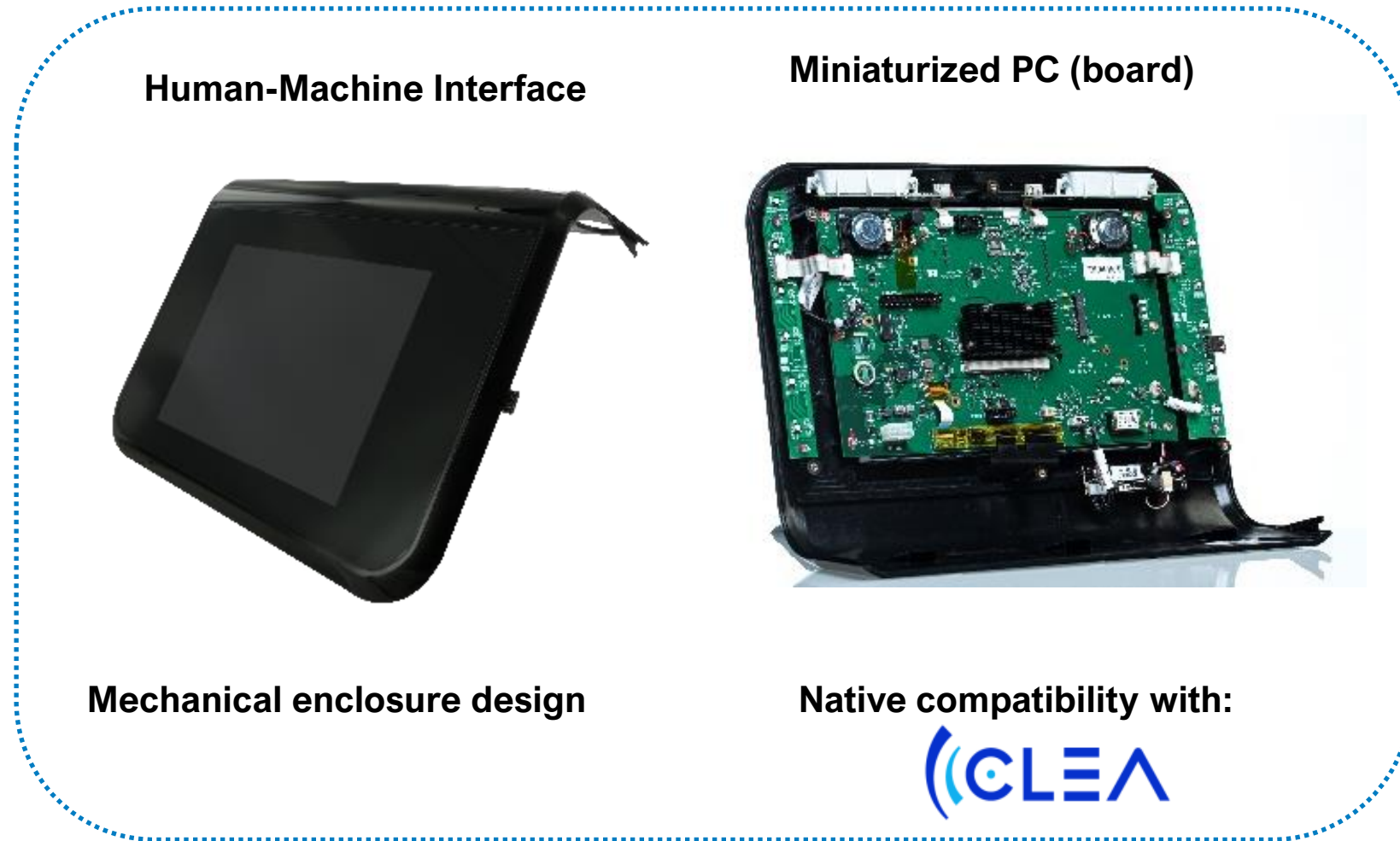
SECO at a glance

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

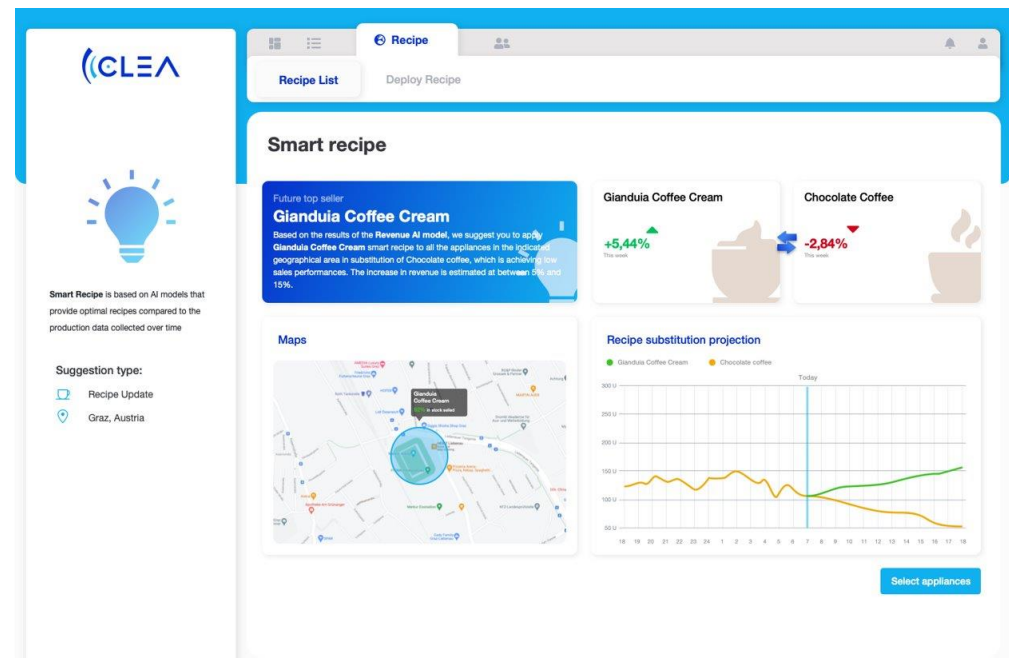


Endless ways to the future

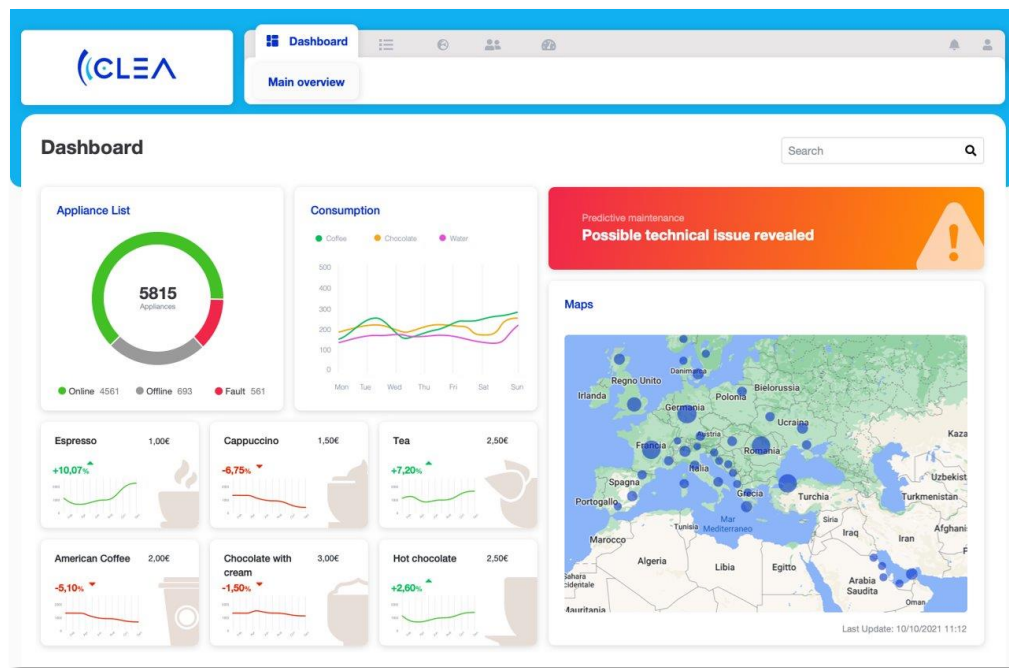
Vertical Applications of CLEA

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

CLEA Vending Machine Apps



[Recipe Sales Trends Analysis App](#)

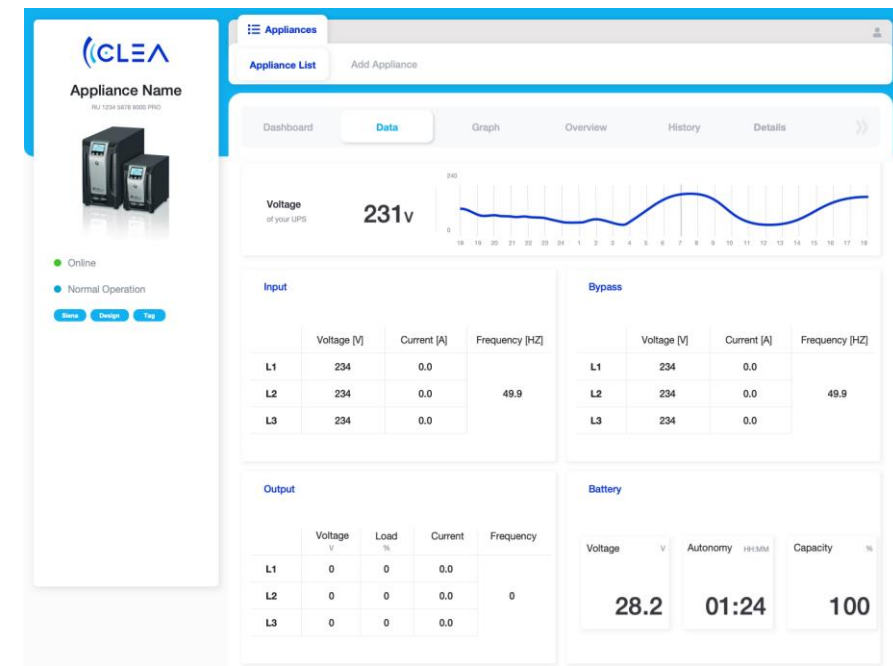


[Fault Detection & Machine Downtime Reduction](#)

[AI Smart Refill](#)

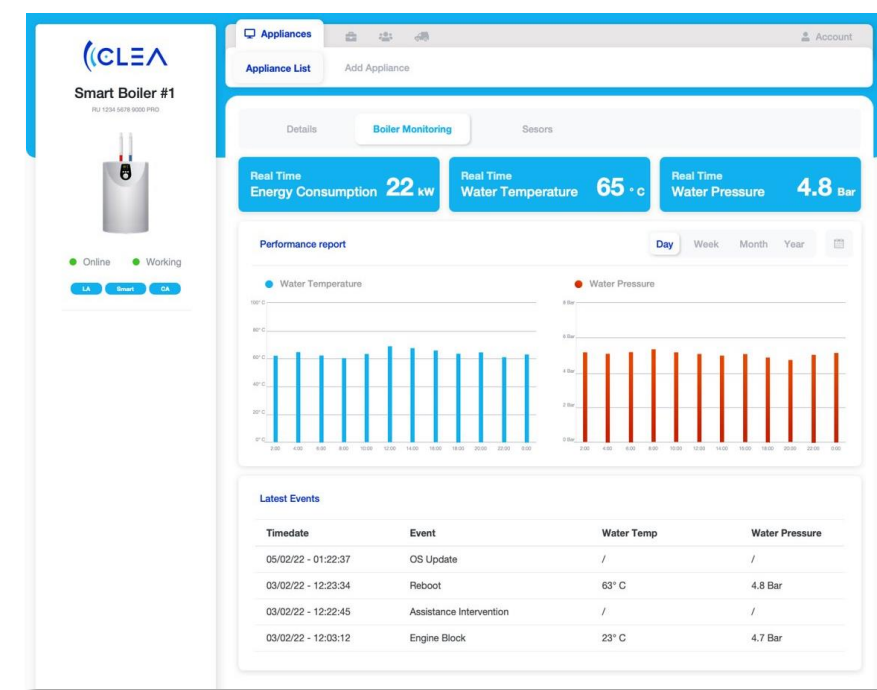
[Landing Page](#)

CLEA UPS App



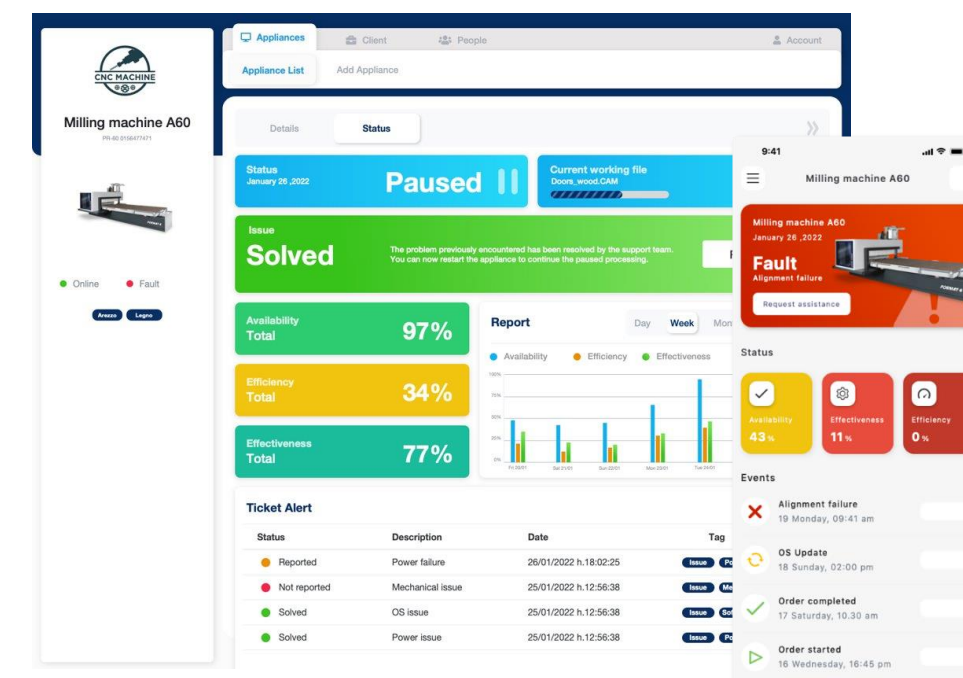
[UPS Management](#)

CLEA Boiler App

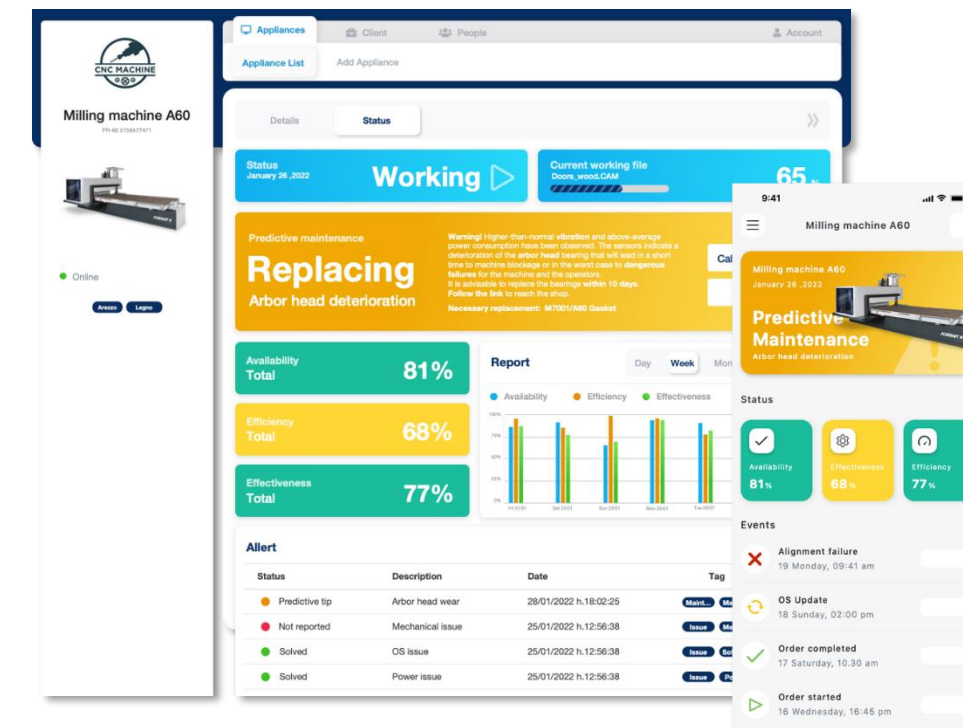


[Boiler Predictive Maintenance](#)

CLEA for Industrial Apps

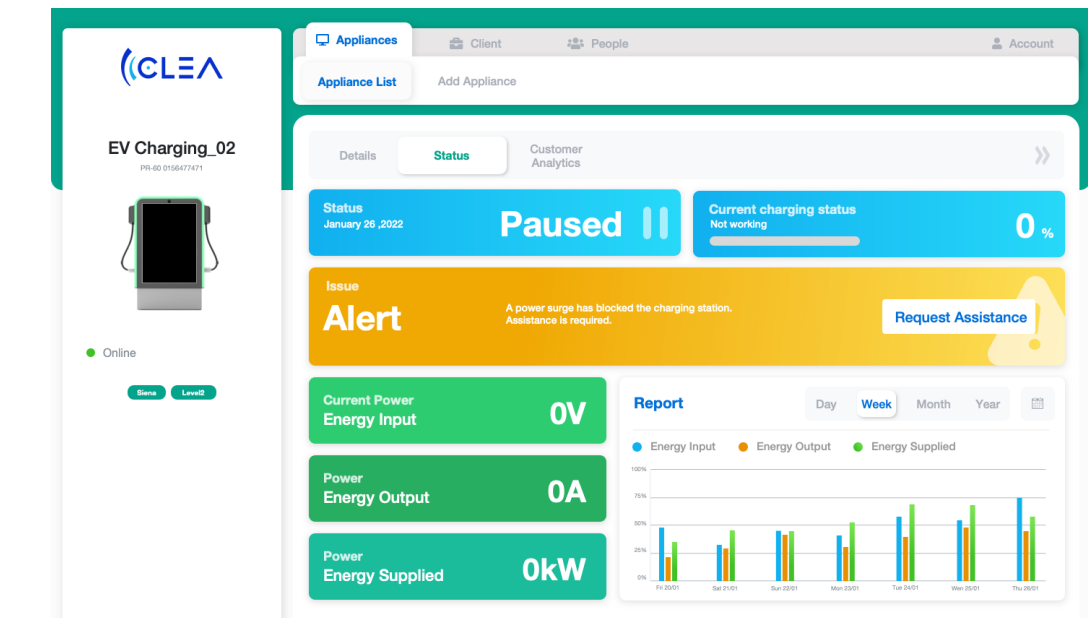
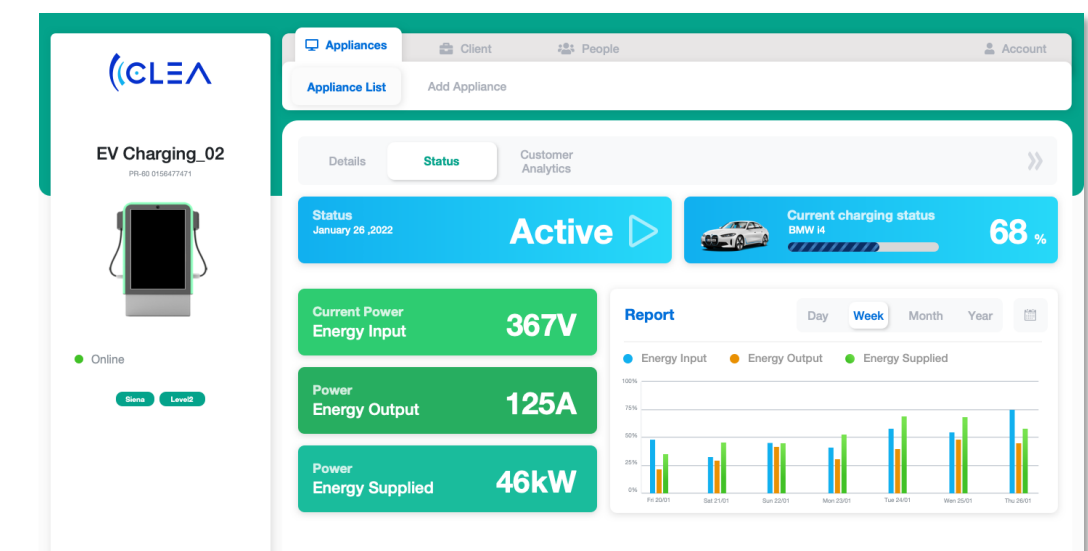


[AI Remote Assistant](#)



[Predictive Maintenance](#)

CLEA AI EV Charging Station App



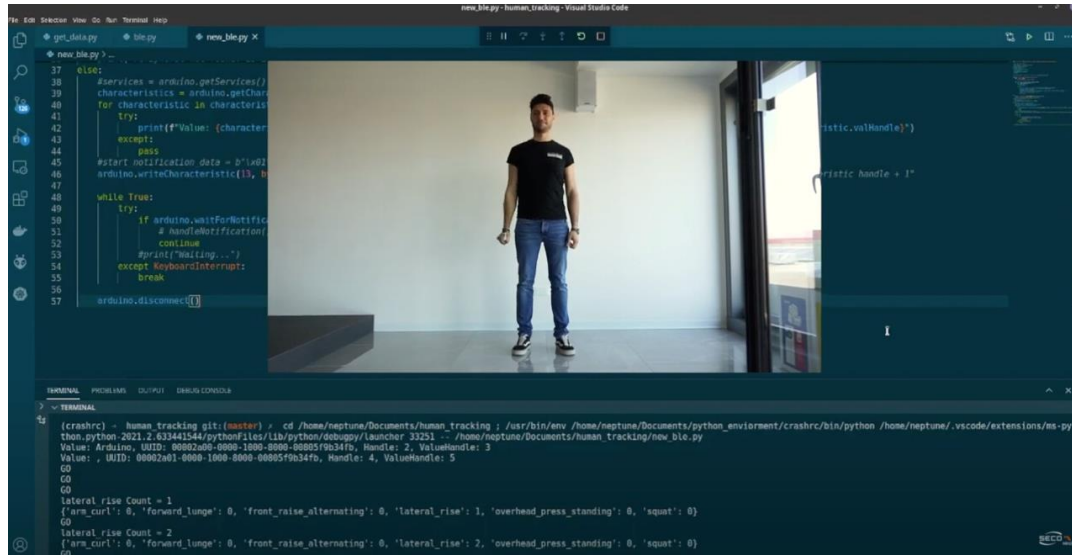
[AI Remote And Predictive Assistant CMS for Digital Signage](#)

[Landing Page](#)

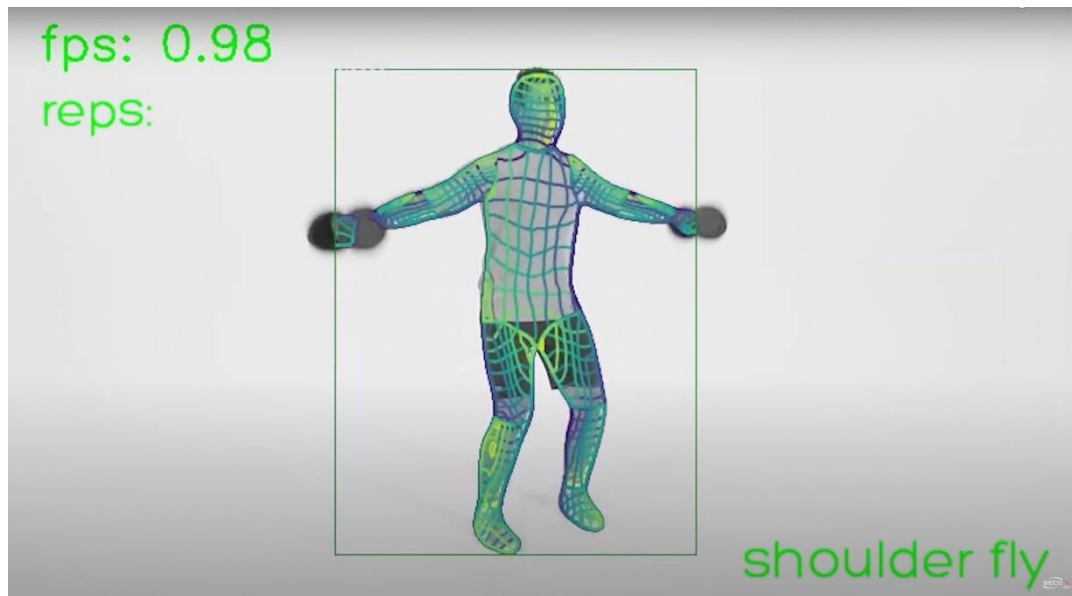
Vertical Applications of CLEA

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

CLEA Fitness App

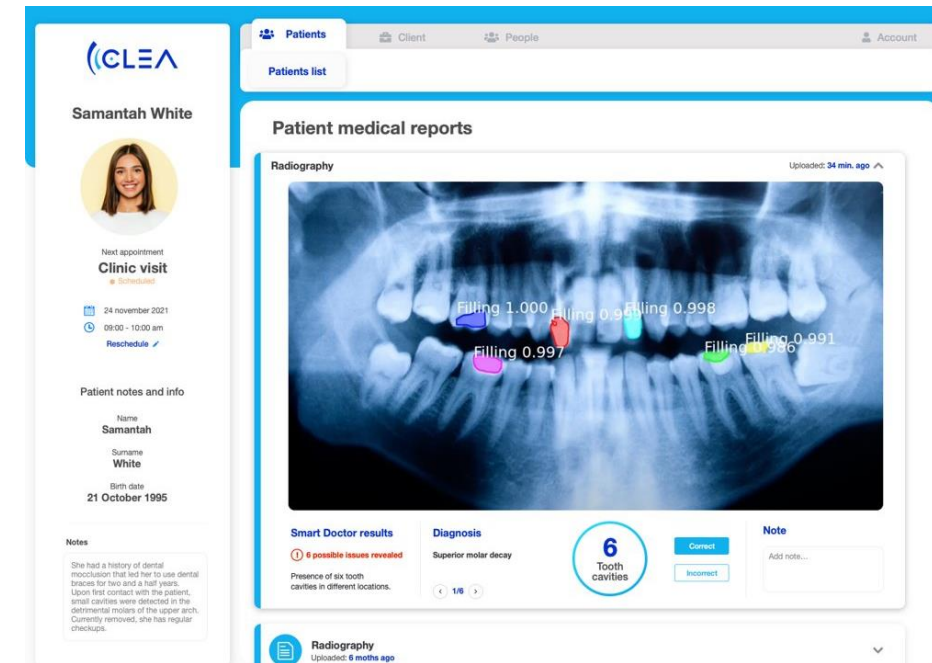


Smart Dumbbell



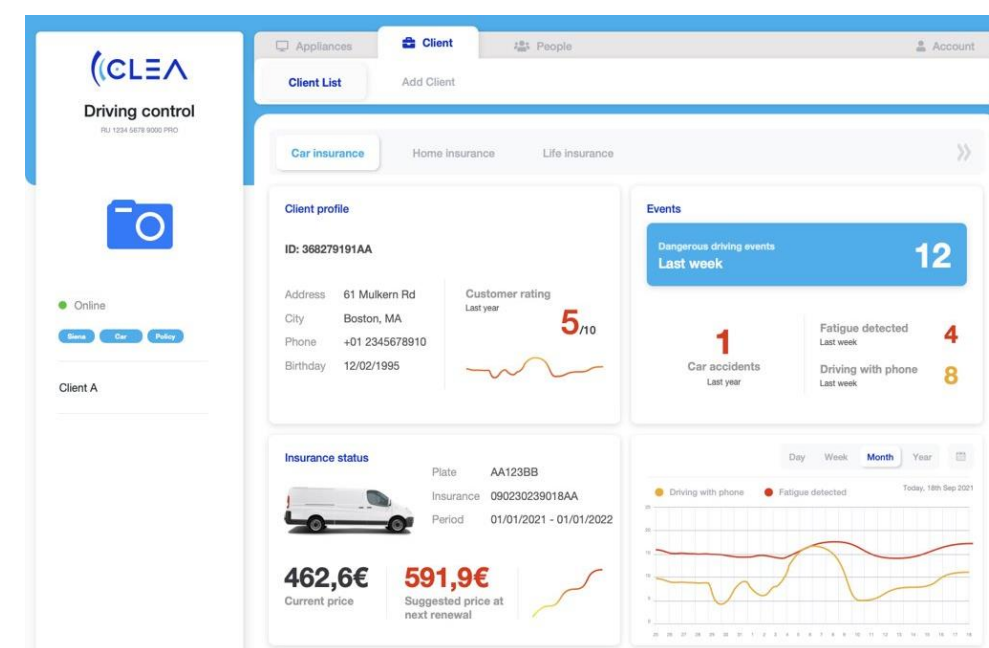
Exercise Recognition & AI Personal Trainer

CLEA Healthcare App



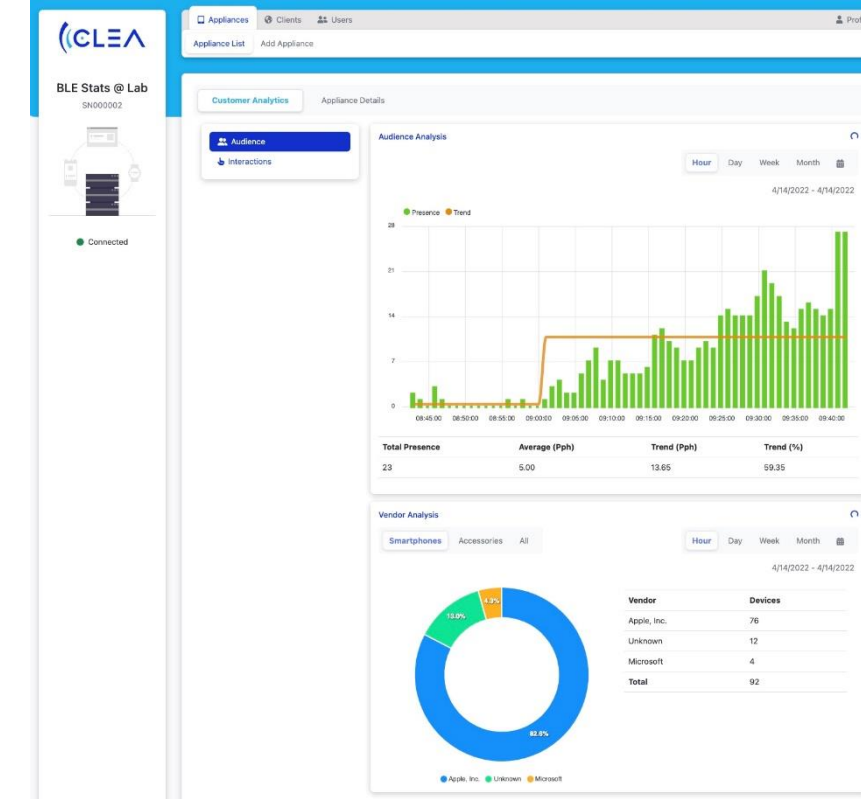
AI Tooth Cavity Detection App

CLEA Automotive App

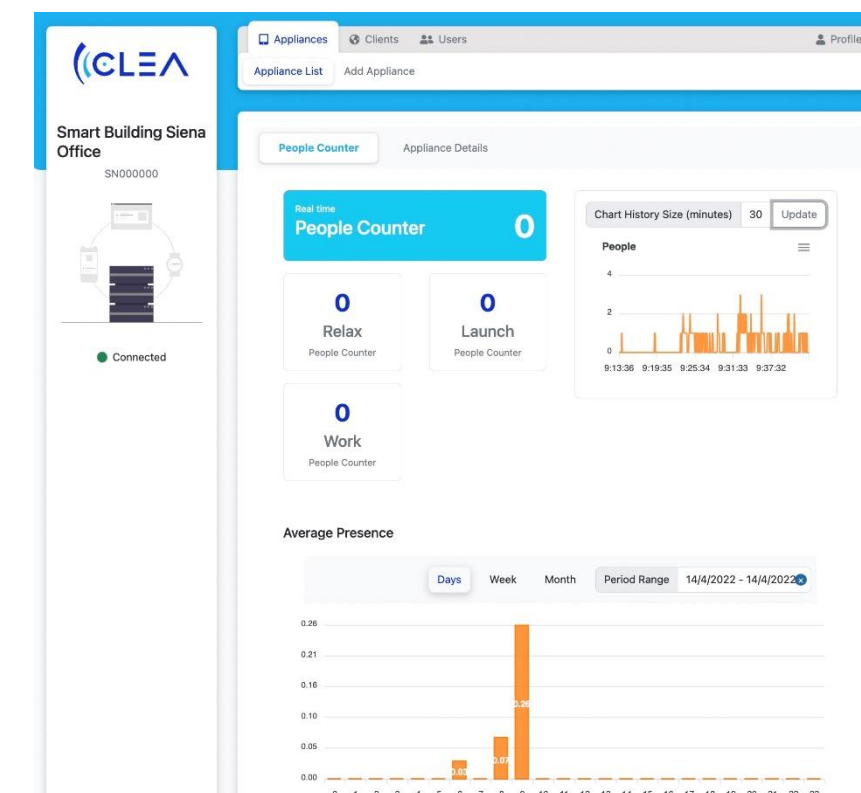


AI Driver concentration App

CLEA for Smart Cities

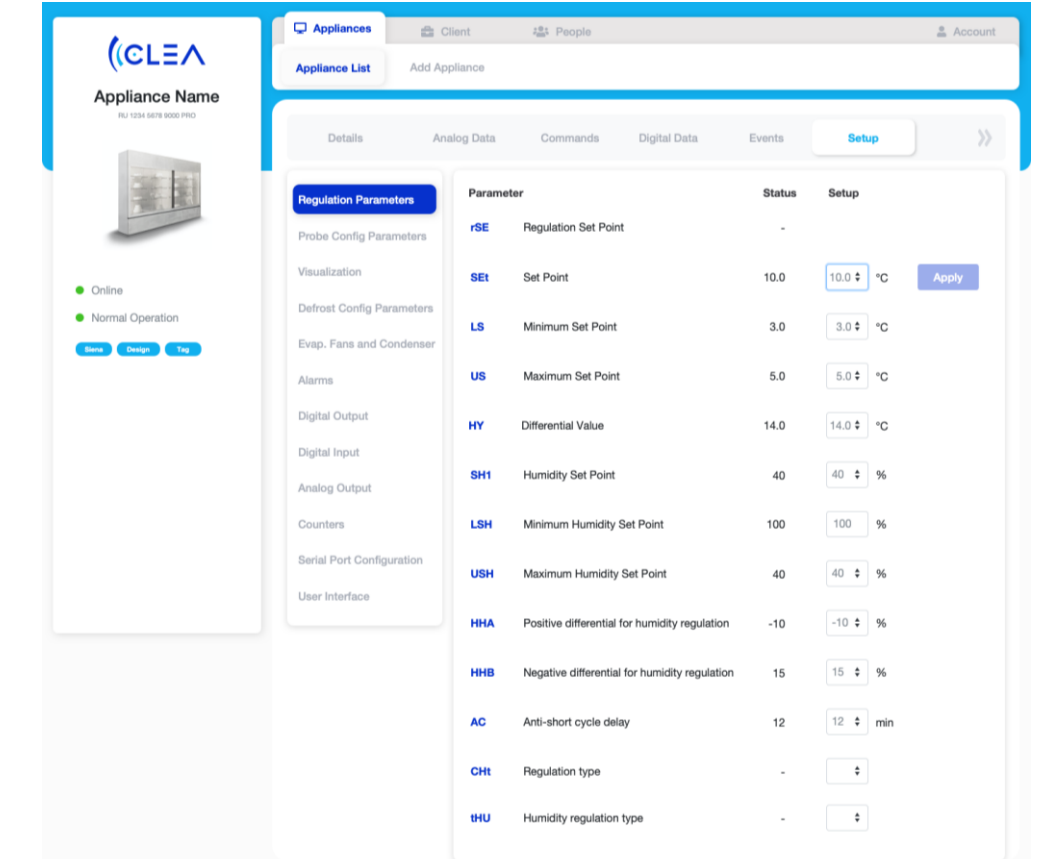


BLE Audience Analysis



People Counter and Tracking

CLEA Refrigeration App



Remote Setup and Management



Endless ways to the future

Thank you
