



Endless ways to the future

---

# SECO: Q1 2023 Results and Business update presentation

---

May 15, 2023

# Disclaimer

---

This document has been prepared by SECO S.p.A. (“SECO” or the “Company”), for information purposes only, exclusively with the aim of assisting you to understand and assess the activities of SECO. The information contained in this presentation does not purport to be comprehensive and may not have been independently verified by any independent third party.

Statements contained in this presentation, particularly regarding any possible or assumed future performance of the SECO Group, are or may be forward-looking statements based on SECO’s current expectations and projections about future events.

Such forward-looking statements are subject to risks and uncertainties, the non-occurrence or occurrence of which could cause the actual results, including the financial condition and profitability of SECO to differ materially from, or be more negative than, those expressed or implied by such forward-looking statements, due to any number of several factors, many of which are beyond the ability of SECO to control or estimate precisely. Consequently, SECO and its management can give no assurance regarding the future accuracy of the estimates of future performance set forth in this document or the actual occurrence of the predicted developments.

The data and information contained in this document are subject to variations and integrations. Although SECO reserves the right to make such variations and integrations when it deems necessary or appropriate, SECO assumes no affirmative disclosure obligation to make such variations and integration, except to the extent required by law.

SECO does not undertake any obligation to publicly release any updates or revisions to any forward-looking statements to reflect events or circumstances after the date of this presentation.

Any reference to past performance of the SECO Group shall not be taken as an indication of future performance.

In addition, this presentation includes or may include certain “Adjusted” financial and operating indicators and other measures, which have been adjusted to reflect extraordinary events, non-recurring transactions and activities which are not directly related to the Group’s ordinary business.

Such “Adjusted” information has been included to allow a better comparison of financial information across the periods; however, it should be noted that such information is not recognized as measures of financial performance or liquidity under IFRS and/or do not constitute an indication of the historical performance of the Company or the Group. Therefore, investors should not place undue reliance on such data and information.

This presentation does not constitute a recommendation regarding the securities of the Company.

This document does not constitute or form part of any offer or invitation to purchase or subscribe any shares issued by the Company and no part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.

By reading this presentation, you agree to be bound by the terms set out.

# Here today

---



**Massimo Mauri**  
*CEO*



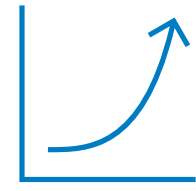
**Lorenzo Mazzini**  
*CFO*



**Marco Parisi**  
*Head of Investor Relations*

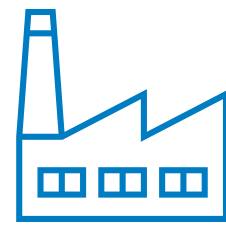
# Key takeaways from 2023 YTD

## Sustained organic growth path continuing



- **Q1 2023**: Net sales at **€54.6m**, **+28%** organically vs. Q1 2022
- **Growth distributed** across **geographical areas** and **verticals**
- CLEA business at **€6.4m** in Q1 2023 (**12%** of sales), **+75%** vs. Q1 2022
- Proportion of CLEA recurring revenue increasing to over **30%** of total

## Gross margin improvement



- Components' market returning **gradually back to normal**, with average lead times seen progressively improving on several items categories
- **GPM** incidence at **47.5%** in Q1 2023, improving vs. Q1 and FY 2022

## Operating leverage



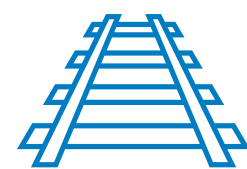
- Adj. EBITDA at **€12.0m** in Q1 2023
- **22%** of sales, **+40%** vs. Q1 2022

## 7-Industries deal



- Strategic shareholder with long-term investment approach
- Significantly lowered leverage and increased financial flexibility thanks to **€65m capital injection**

## 2023-24 outlook



- Visibility provided by backlog, design wins and pipeline evolution leading to confidence on continuation of sustained organic growth

# Q1 2023 financial highlights

Q1 22 → Q1 23

## Net sales

€42.8m → €54.6m

- **+28% organic growth** in Q1 2023 vs. Q1 2022
- Edge computing business growing at **23%** in Q1 2023 vs. Q1 2022
- CLEA revenue at **€6.4m** in Q1 2023 (vs. €3.7m in Q1 2022)

## Gross margin

€20.1m → €26.0m  
47.0% → 47.5%

- **+29% growth** in Q1 2023 vs. Q1 2022
- Price increase actions adopted in previous quarters and positive impact from CLEA revenue have helped gross margin improve vs. Q1 and FY 2022

## Adj. EBITDA

€8.6m → €12.0m  
20.0% → 22.0%

- **+40% growth** in Q1 2023 vs. Q1 2022
- Operating leverage thanks to business acceleration and OPEX control
- OPEX at **29%** of Q1 2023 Net sales, vs. **32%** in Q1 2022

## Adj. Net Income

€3.5m → €4.5m  
8.1% → 8.3%

- **+31% growth** in Q1 2023 vs. Q1 2022
- D&A: +€1.5m higher vs. Q1 2022
- Financial expenses: +€1.2M higher vs. Q1 2022, largely due to the increase in market interest rates
- Taxes calculated with theoretical tax rate

...% = % of Net sales

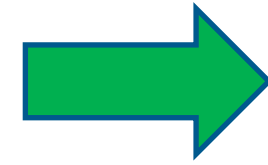
# Net sales

**€54.6m**

Q1 2023 Net sales

**+€11.8m**

Q1 2023 vs. Q1 2022



Q1 2023 vs. Q1 2022 growth

**1.2x**

Edge computing growth

**1.7x**

CLEA growth

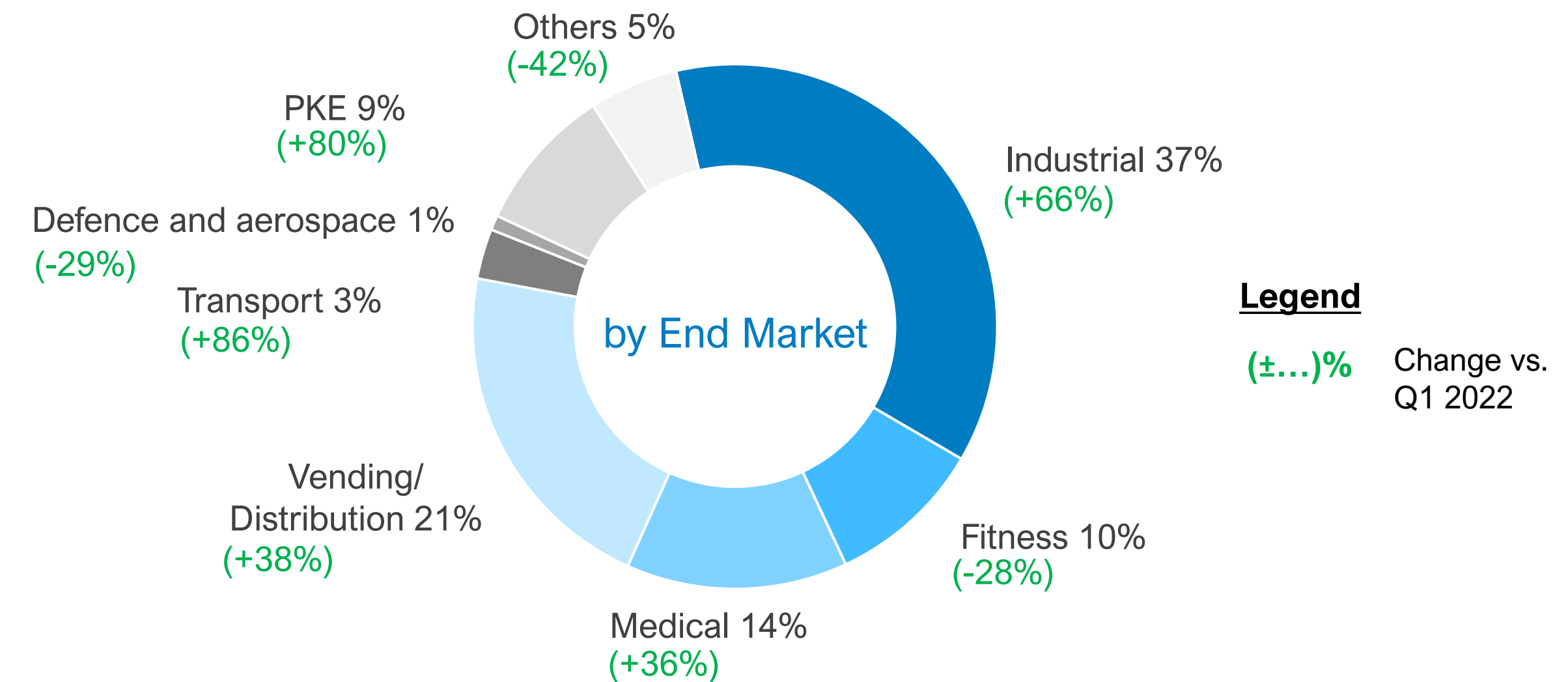
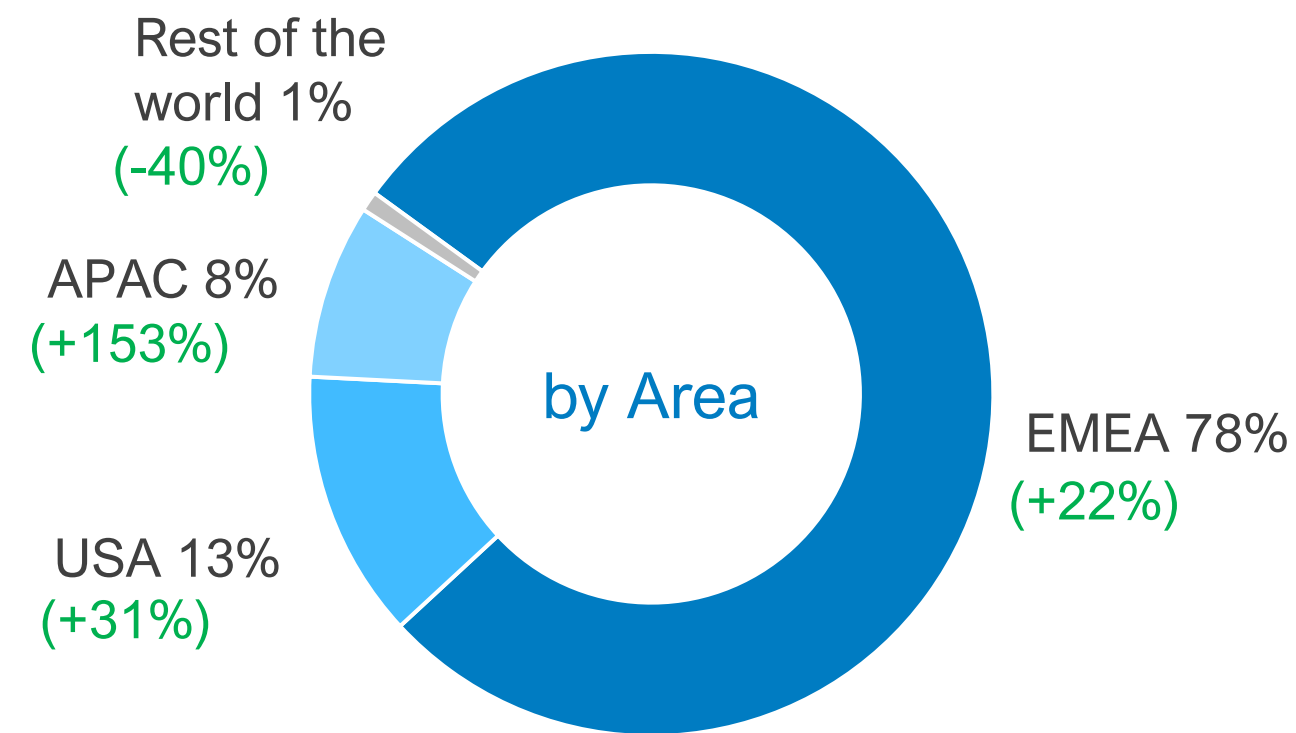
12% of  
Net sales



**€6.4m**

Q1 2023 CLEA revenue

## Net sales breakdown (Q1 2023)



**Legend**  
(±...)% Change vs. Q1 2022

- Q1 2023 Net sales growing organically by **+28%** vs. Q1 2022
- Edge computing business at **+23%** in Q1 2023, largely thanks to a growth in the Industrial, Transportation, Medical, Vending, PKE industries

- CLEA business continuing its expansion trend, hitting **€6.4m** revenue in Q1 2023 (**+75%** vs. Q1 2022)
- Proportion of CLEA recurring revenue increasing to over **30%** of total
- EMEA, APAC, USA markets all showing growth trends



Endless ways to the future

# Adjusted EBITDA

€12.0m

Q1 2023 Adj. EBITDA

+€3.4m

Q1 2023 vs. Q1 2022

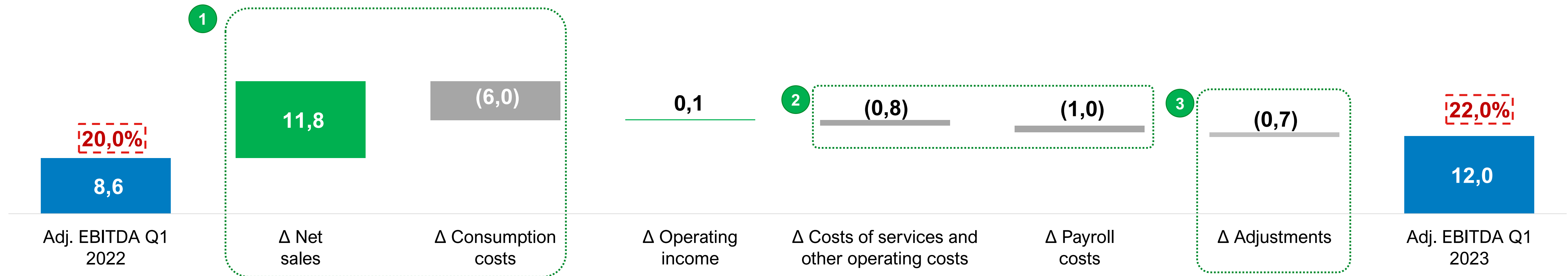
+40%

% growth vs. Q1 2022

22.0%

of Net sales

## Adjusted EBITDA bridge (€m)

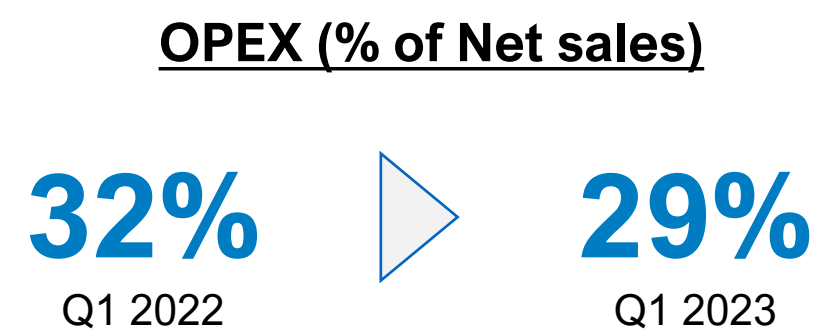


### 1 Gross margin effect

- Gross margin at **+29%** vs. Q1 2022, mainly thanks to **business expansion** in Edge computing and CLEA segments and **price increase** actions taken in past months becoming effective

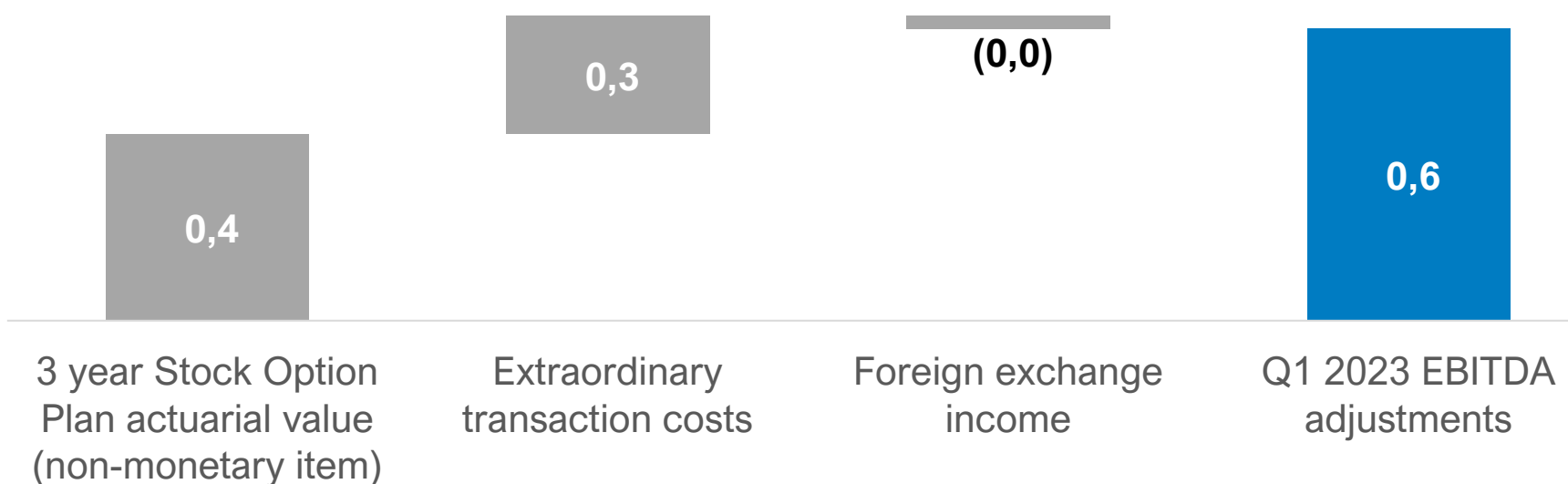
### 2 OPEX

- Business growth allowing for good **OPEX absorption**



### 3 Adjustments

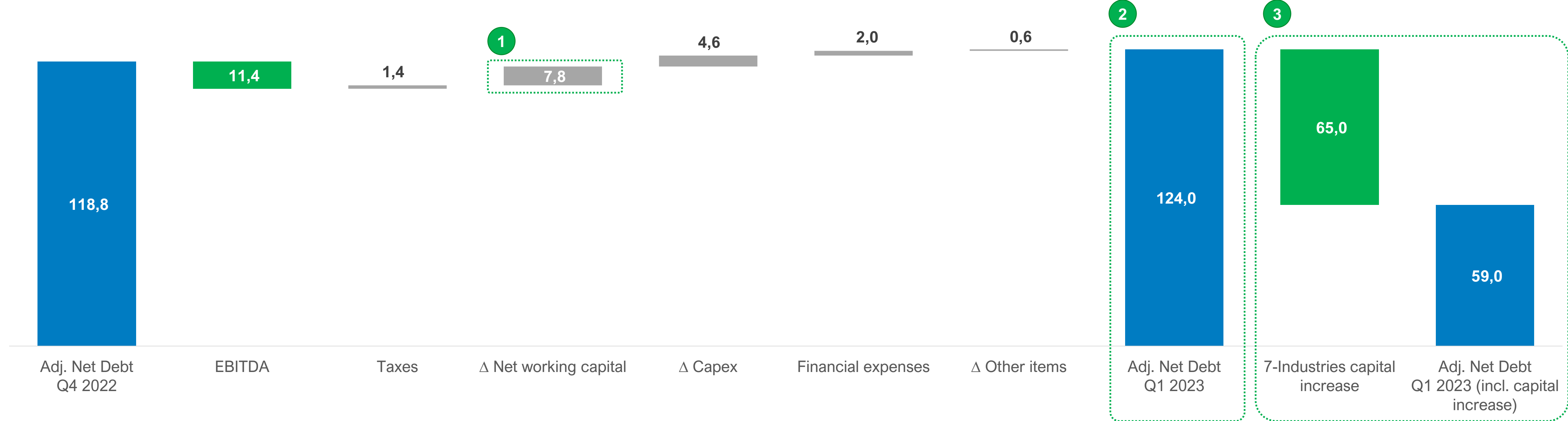
- Q1 2023 EBITDA Adjustments (€m)



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

# Adjusted Net financial position

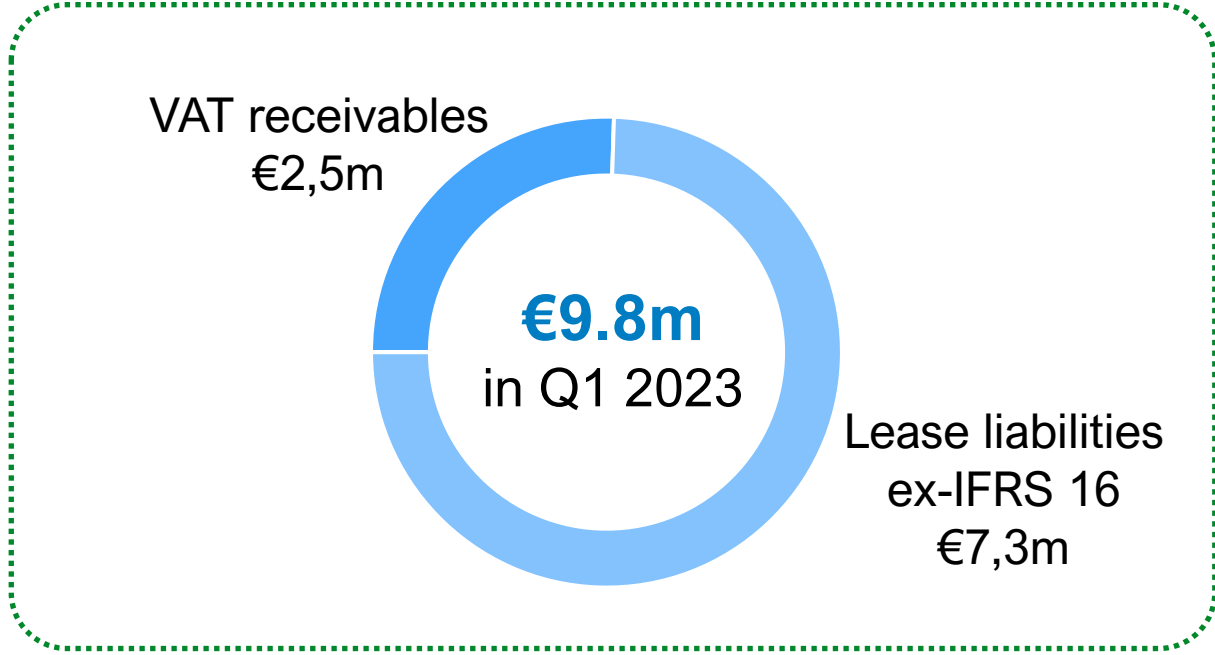
## Adjusted Net debt bridge (€m)



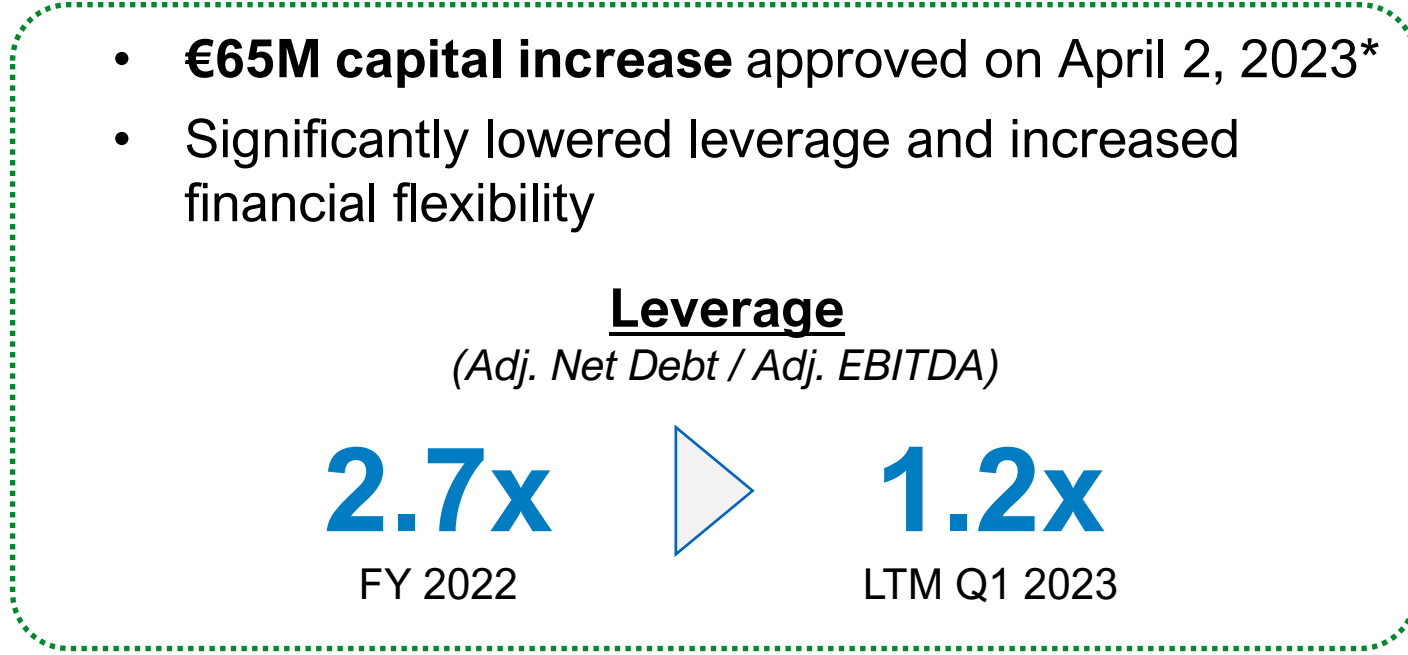
### 1 Δ Net working capital



### 2 Net debt Adjustments



### 3 7-Industries capital increase



Endless ways to the future

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

\* First tranche of the capital increase: closing completed on April 6, 2023 (€56.3m); second tranche to be completed at the obtainment of the required authorizations





Endless ways to the future

# Business update

# Business visibility and opportunities



## Sustained growth

Expected to continue despite signs of global macroeconomic slowdown



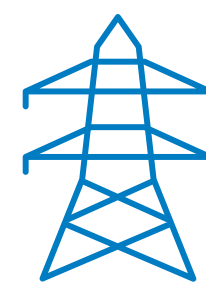
## New customers and design wins secured

For 2024 and beyond, laying the foundations for a long-term business expansion

### Main opportunities



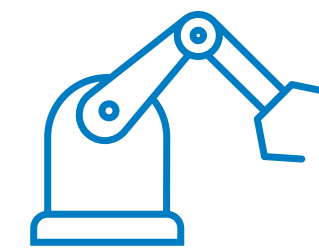
Water pumps



Electricity metering digitalization



EV chargers



Industrial

# CLEA Business

## Enriching our partners' ecosystem

*Expand our offering*



By providing end-to-end solutions

*Accelerate time-to-market*



By easing integration for our customers

*Creating a reference standard*



Higher platform scalability



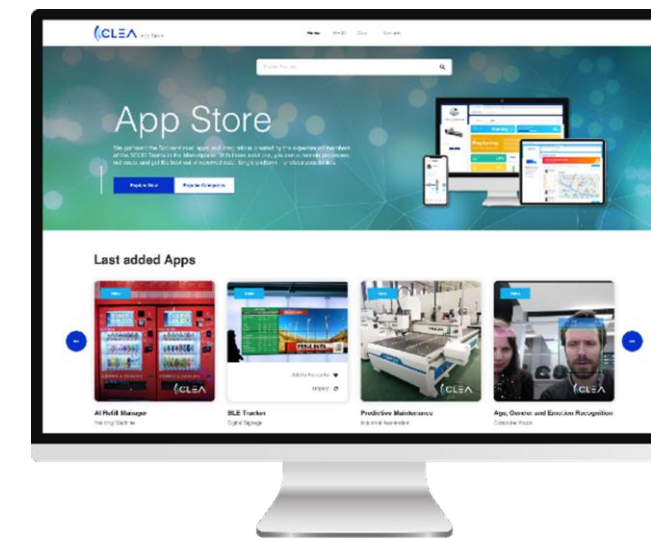
Q1 '23:  AXELERA ARTIFICIAL INTELLIGENCE and  Google Cloud joined our ecosystem



Working to start **new partnerships** with leading **hardware** and **software players**



**CLEA Store:** announced in April '23, already receiving the **first requests for adoption**



Recurring revenue portion progressively increasing (over **30%** of total CLEA revenue)

# Potential future growth opportunities

## Strategic shareholder providing financial flexibility



- 7-Industries deal: significantly lowered leverage and **increased financial flexibility** thanks to **€65m capital injection**
- Strategic shareholder with long-term investment approach

## Continuing M&A strategy



- **Quality M&A deals** to complement strong organic growth
- Screening phase ongoing, with possible targets currently under higher focus

### *What would a possible target look like?*



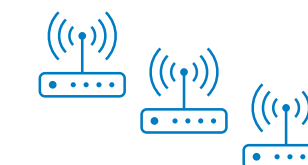
US-based



Hardware company



Local production



Large device base to spread CLEA



Financially sound



Endless ways to the future

# Q&A



Endless ways to the future

ANNEX

# SECO today

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



**€201M**

2022 FY revenue



**Listed on**

Borsa Italiana's Euronext STAR Milan

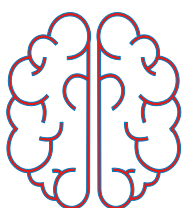


**>1m devices**

manufactured every year



**~ 900 people**



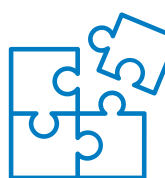
**~ 300 R&D people**

of which ~180 in AI and software development



**~ 8-10%**

of revenue invested in R&D every year

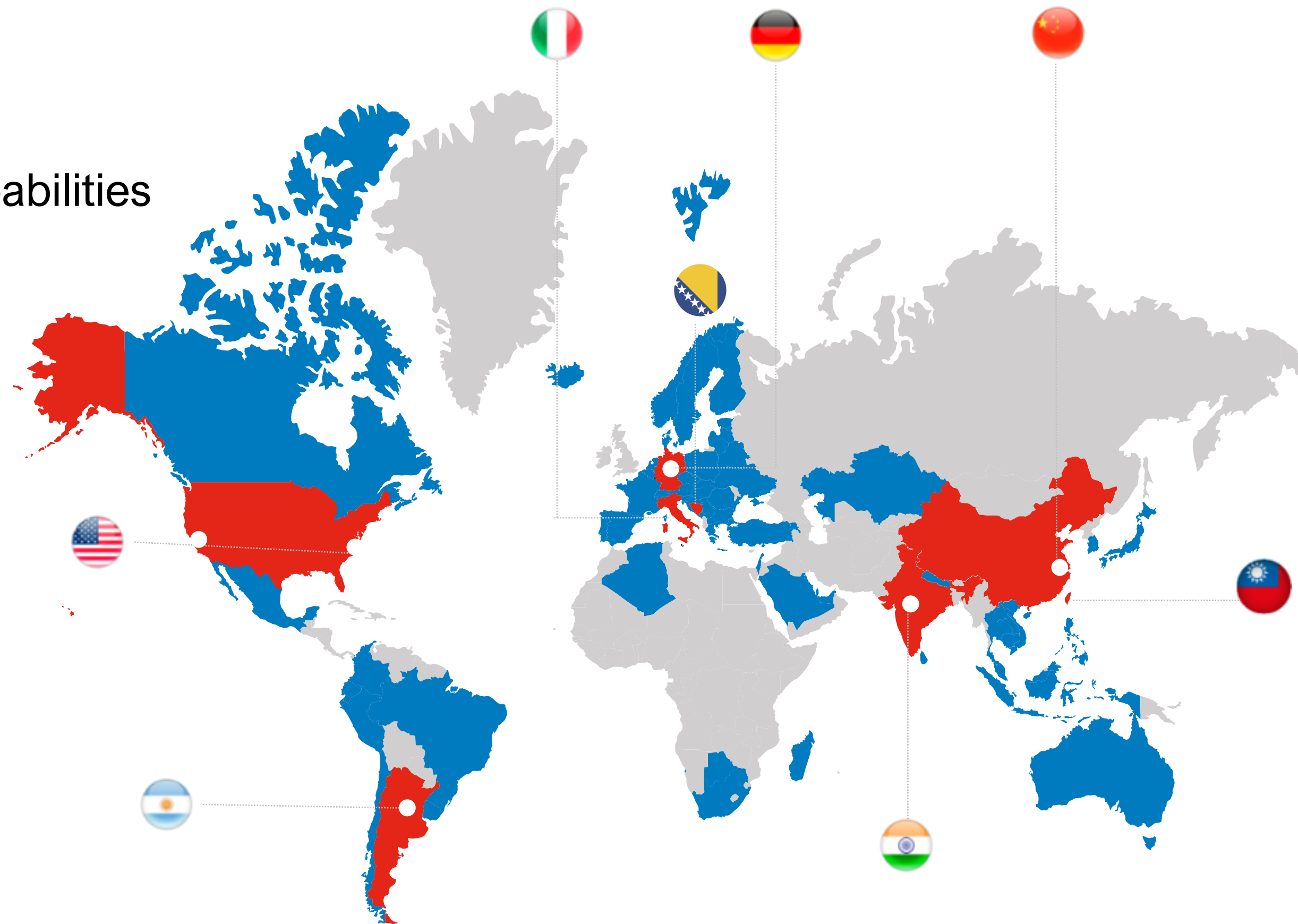


**10** R&D centers

**5** production plants



**8** countries



Commercial Presence

Direct Presence

Our production plants

Arezzo



Hamburg



Hangzhou



Treviso



Wuppertal



**SECO**

Endless ways to the future

# Financials overview

## Income Statement

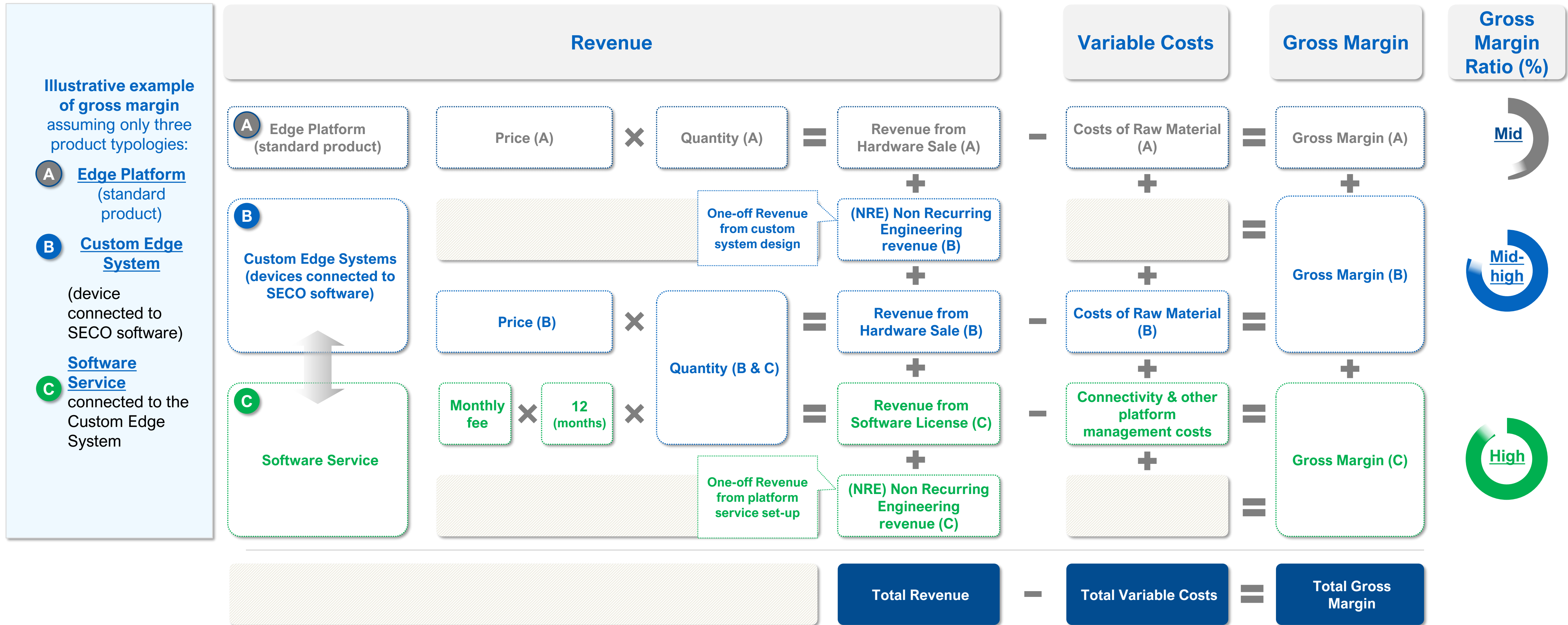
€mln	Q1 2022	Q1 2023
<b>Net Sales</b>	<b>42,8</b>	<b>54,6</b>
Consumption Costs	(22,6)	(28,6)
<b>Gross Margin</b>	<b>20,1</b>	<b>26,0</b>
<i>% on Net Sales</i>	<i>47,0%</i>	<i>47,5%</i>
Other revenues	1,0	1,1
Personnel costs	(8,2)	(9,2)
Other Opex	(5,6)	(6,6)
Exchange gains/losses	(0,1)	0,0
<b>EBITDA</b>	<b>7,2</b>	<b>11,4</b>
<i>% on Net Sales</i>	<i>16,9%</i>	<i>20,8%</i>
<b>EBITDA ADJ</b>	<b>8,6</b>	<b>12,0</b>
<i>% on Net Sales</i>	<i>20,0%</i>	<i>22,0%</i>
Depreciation	(3,2)	(4,7)
<b>EBIT</b>	<b>4,1</b>	<b>6,7</b>
<i>% on Net Sales</i>	<i>9,6%</i>	<i>12,2%</i>
Financial expenses	(0,8)	(2,0)
Tax	(1,0)	(1,4)
<b>Net Income</b>	<b>2,2</b>	<b>3,3</b>
<i>% on Net Sales</i>	<i>5,2%</i>	<i>6,0%</i>

## Balance Sheet

€mln	FY 2022	Q1 2023
Net Working Capital	80,5	88,4
Total Fixed Assets	311,1	310,9
Other non-current assets	3,9	4,8
Provisions and other non-current liabilities	(30,1)	(30,5)
<b>Net Invested Capital</b>	<b>365,4</b>	<b>373,6</b>
Net Financial Position	128,8	133,8
<b>Net Financial Position ADJ.</b>	<b>118,8</b>	<b>124,0</b>
Total Equity	236,6	239,8
<b>Total Funds</b>	<b>365,4</b>	<b>373,6</b>

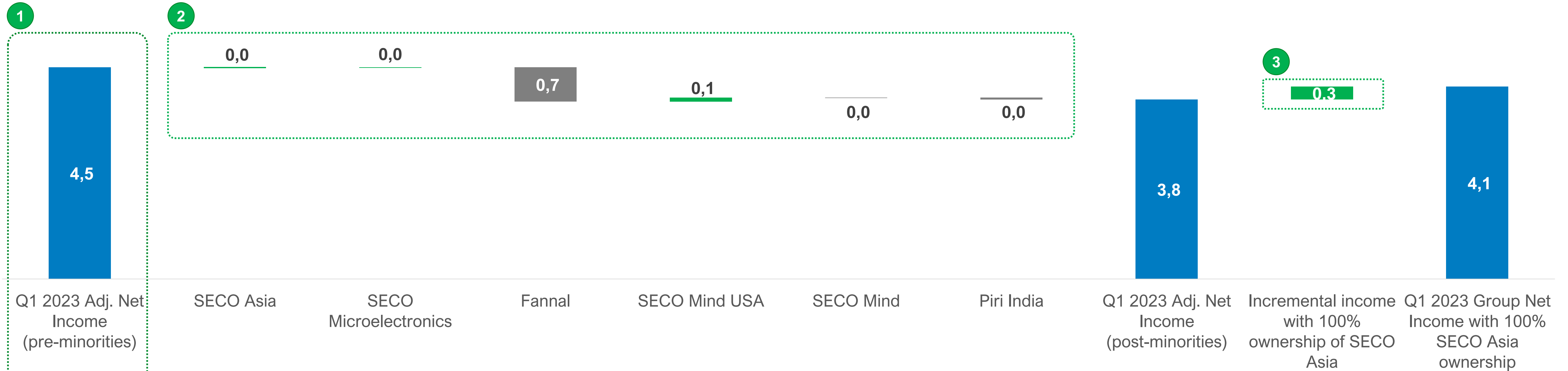


# Revenue and cost model



# Adjusted Net Income

## Adjusted Net income (€m)



### 1 Adj. Net income

- D&A: +€1.5m higher vs. Q1 2022
- Financial expenses: + €1.2m higher vs. Q1 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 Q1 2023, most of minority interests concentrated into Fannal, in which SECO SpA holds a 28% share (= 51% \* 55%) as illustrated below:



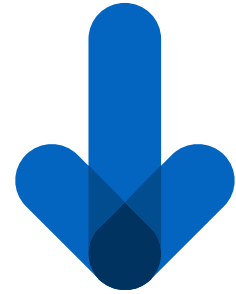
- Put/Call option systems in place for SECO to rise to 100% of all companies at single-digit EBITDA multiples

### 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)
- €0.3m 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)

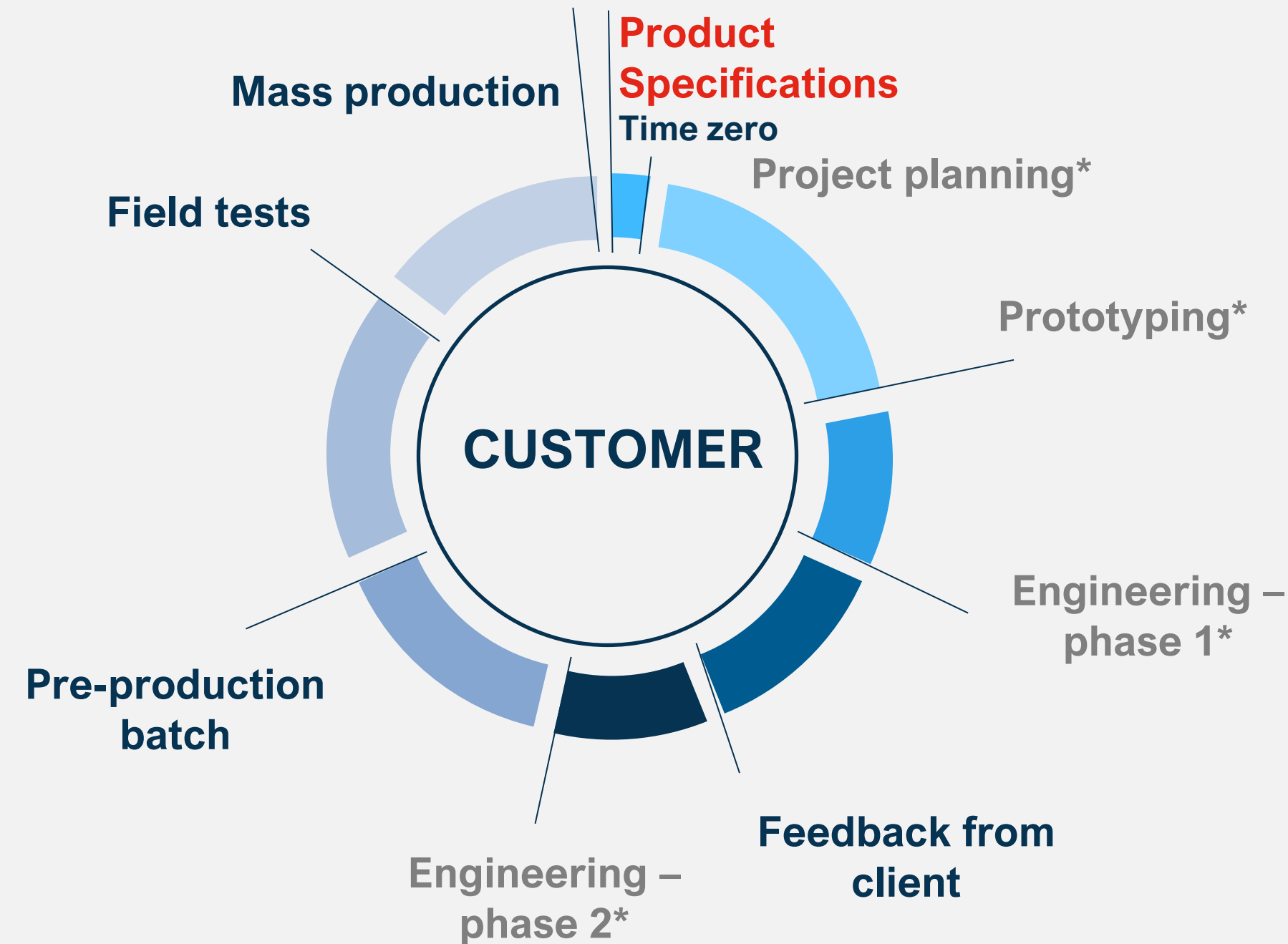
Order backlog coverage 6-7 months

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

# Bringing intelligence into our customers' devices

 Full system R&D and design

 In-house production

## A SECO system at work...



 System integration

 Natively compatible with 



Smart fitness machines



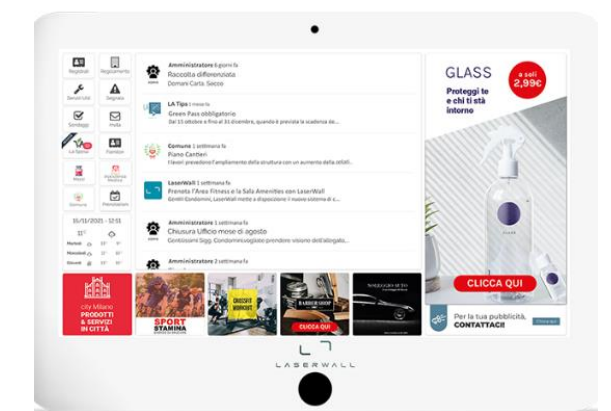
Industrial equipment



Medical devices



On-board passenger information systems



Digital billboards



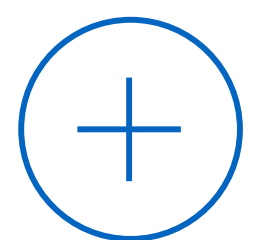
Coffee & Vending machines



Bowling scoring equipment



Voting machines



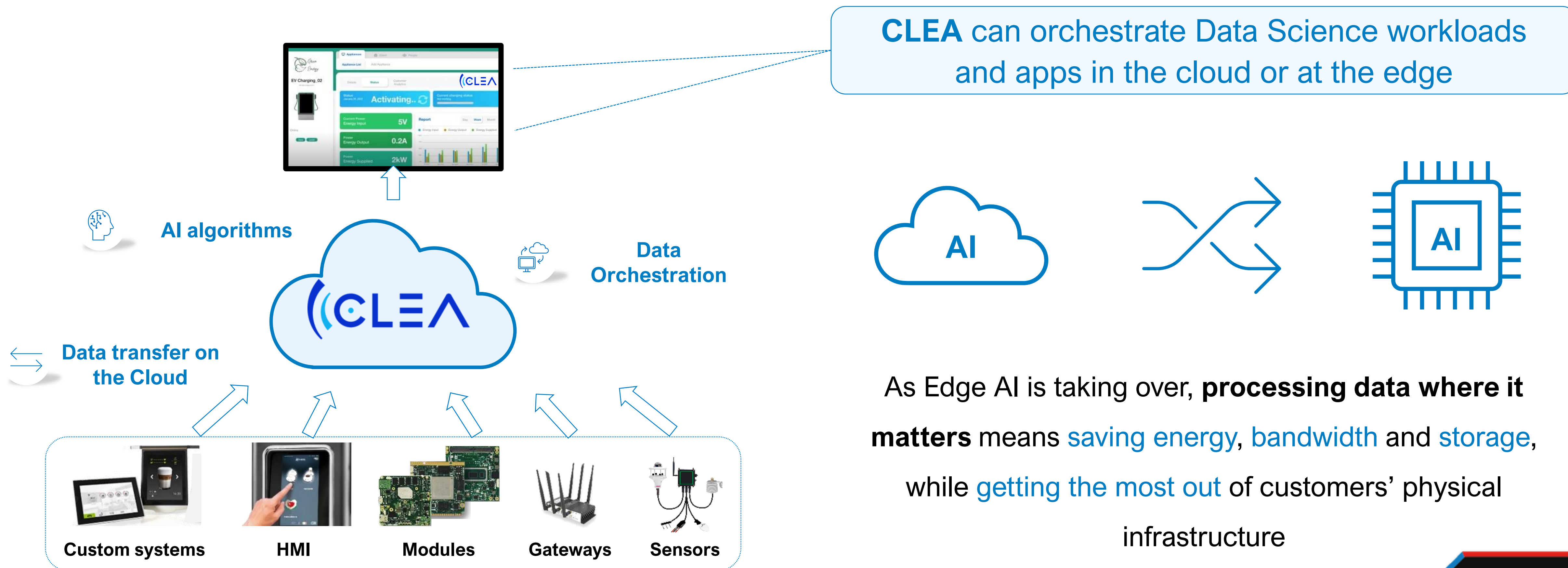
...and many more...



Endless ways to the future

# The value of an end-to-end offering

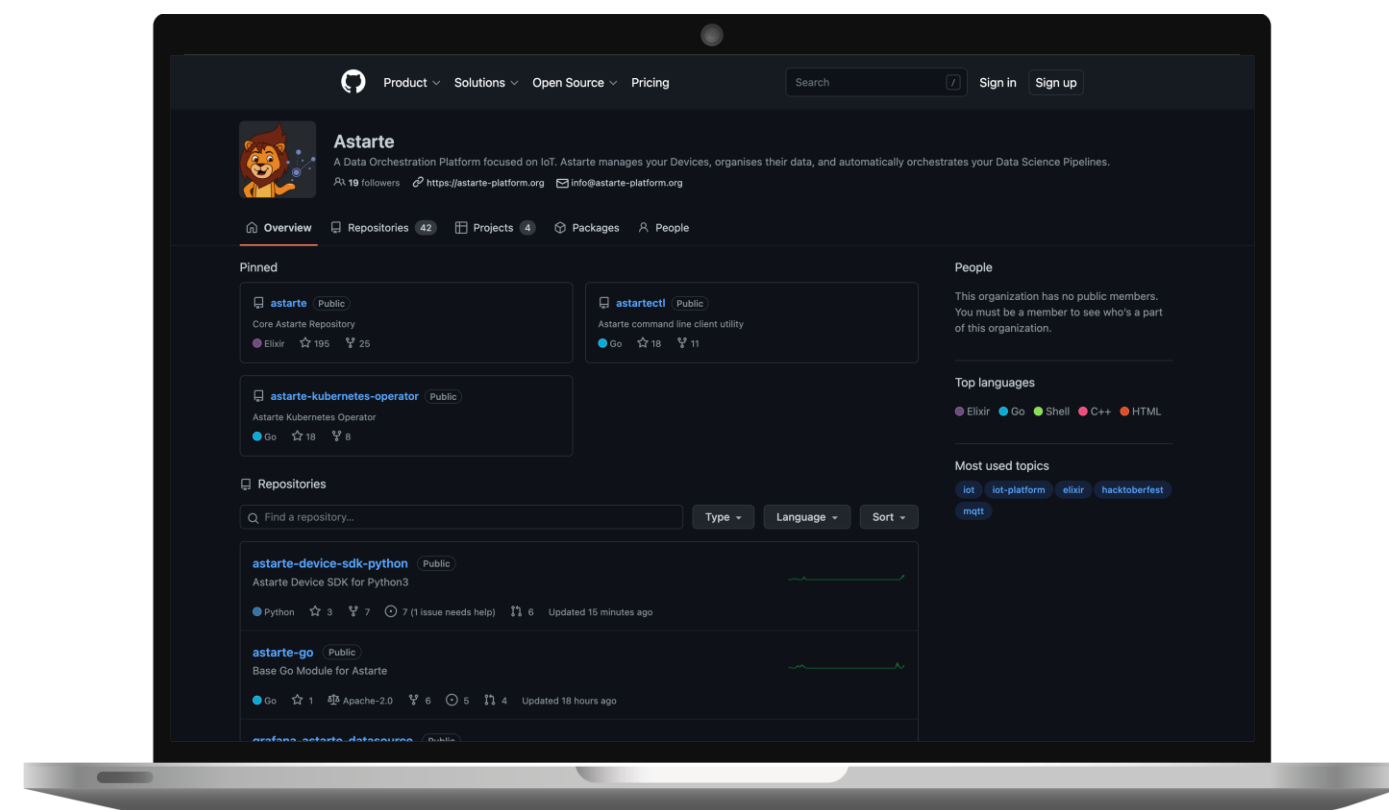
All customers need to get the most out of their data



# How CLEA business model is transforming

Enhancing platform's scalability and recurring revenue generation

CLEA is an **Open Ecosystem** that allows customers to build and sell their own apps



Customers can also **let one of our System Integrator partners build it for them**



Or ask **SECO** to provide them with a **complete solution**

From the CLEA SDKs...

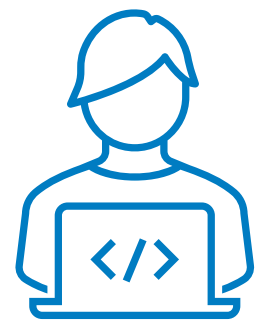
...to value added apps



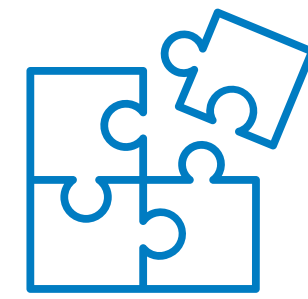
Endless ways to the future

# CLEA Store

Enabling the servitization of our customers' business models



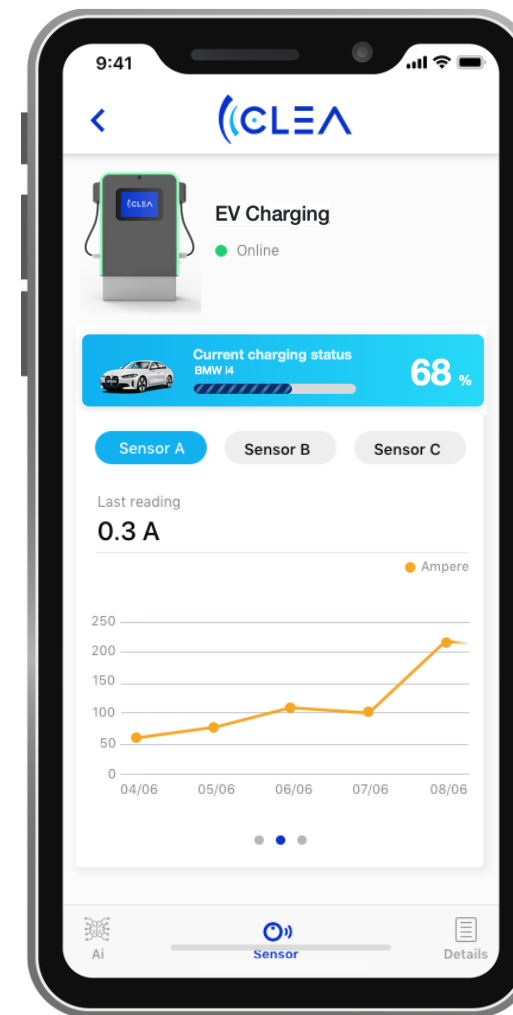
Customers to develop their own AI models to launch new **value-added services**



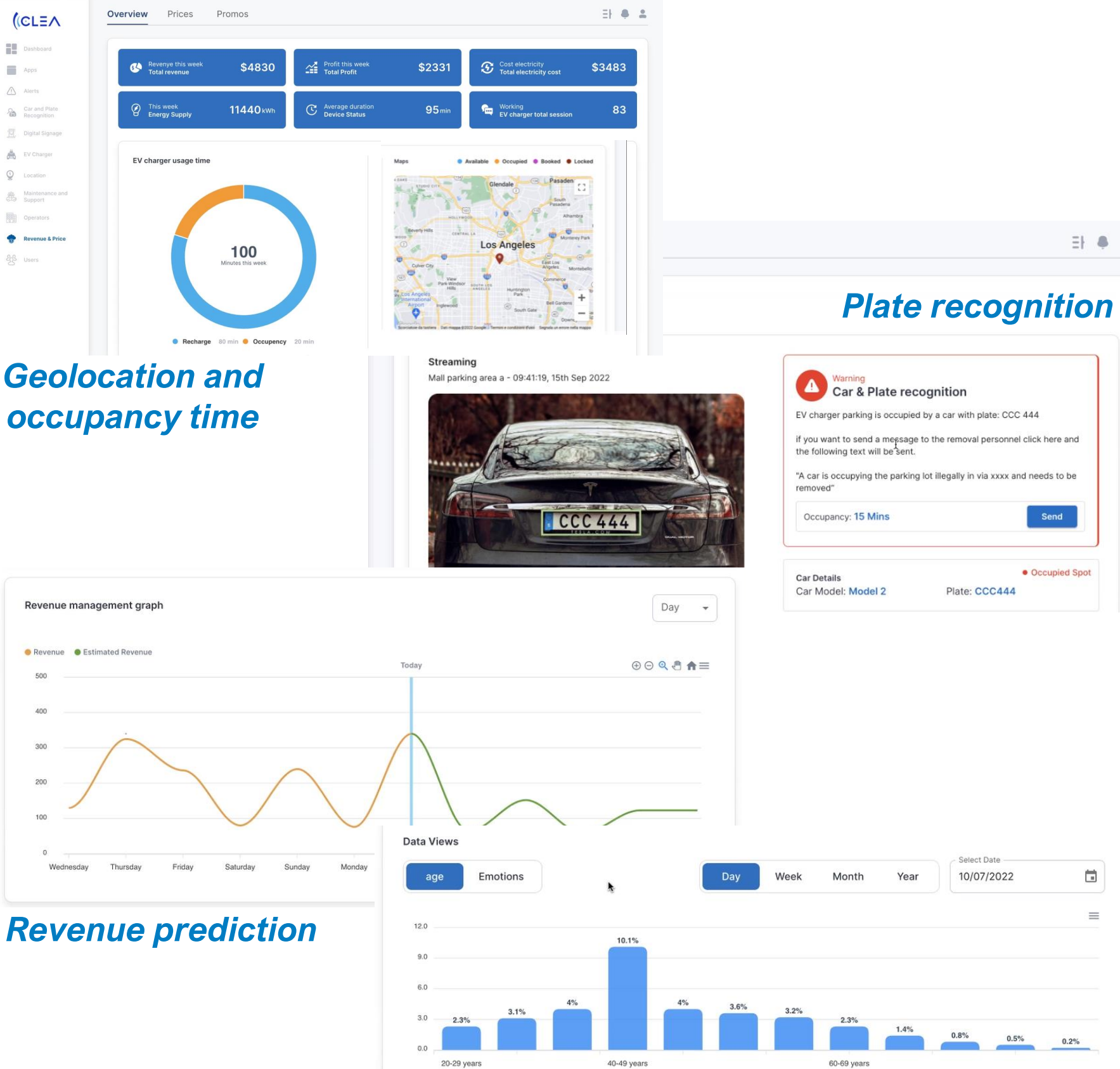
CLEA as the **technical infrastructure** to build **customers' private app Store**



Customers can **monetize their apps** and start **offering them as digital services** to their own customers



 The power of AI at your fingertips



**Geolocation and occupancy time**

**Revenue prediction**

**Plate recognition**

**Targeted advertising services**

Day	Revenue	Estimated Revenue
Wednesday	100	100
Thursday	300	300
Friday	200	200
Saturday	100	100
Sunday	250	250
Monday	350	350

Age Group	Percentage
20-29 years	2.3%
30-39 years	3.1%
40-49 years	10.1%
50-59 years	4%
60-69 years	3.6%
70-79 years	3.2%
80-89 years	2.3%
90-99 years	1.4%
100+ years	0.8%
110+ years	0.5%
120+ years	0.2%



# Axelera partnership

▶▶ High performance AI inference capabilities

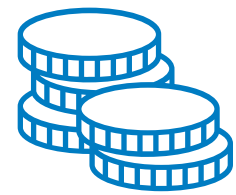


## Accelerating computer vision at the edge

*Development of a new SECO module based on Axelera's chip with high computation capabilities*



**Low latency** enabling real-time **edge AI** processing



**Cost effectiveness, reduced consumption** vs. architectures based on cloud processing



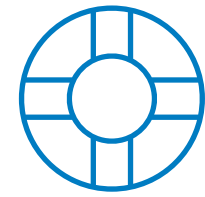
**CLEA** enabling deployment of **AI-based models** from the cloud to the edge



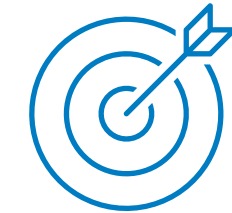
Endless ways to the future



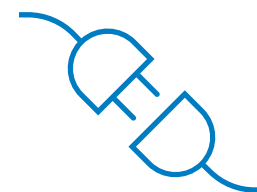
# Google Cloud partnership



Business continuity ensured to **Google Cloud IoT Core users** following its dismissal announcement



**CLEA + Google cloud services:** standardized framework for developers to **accelerate time-to-market** of their products and services based on IoT-AI



**Native integration** between CLEA and Google Cloud AI services following

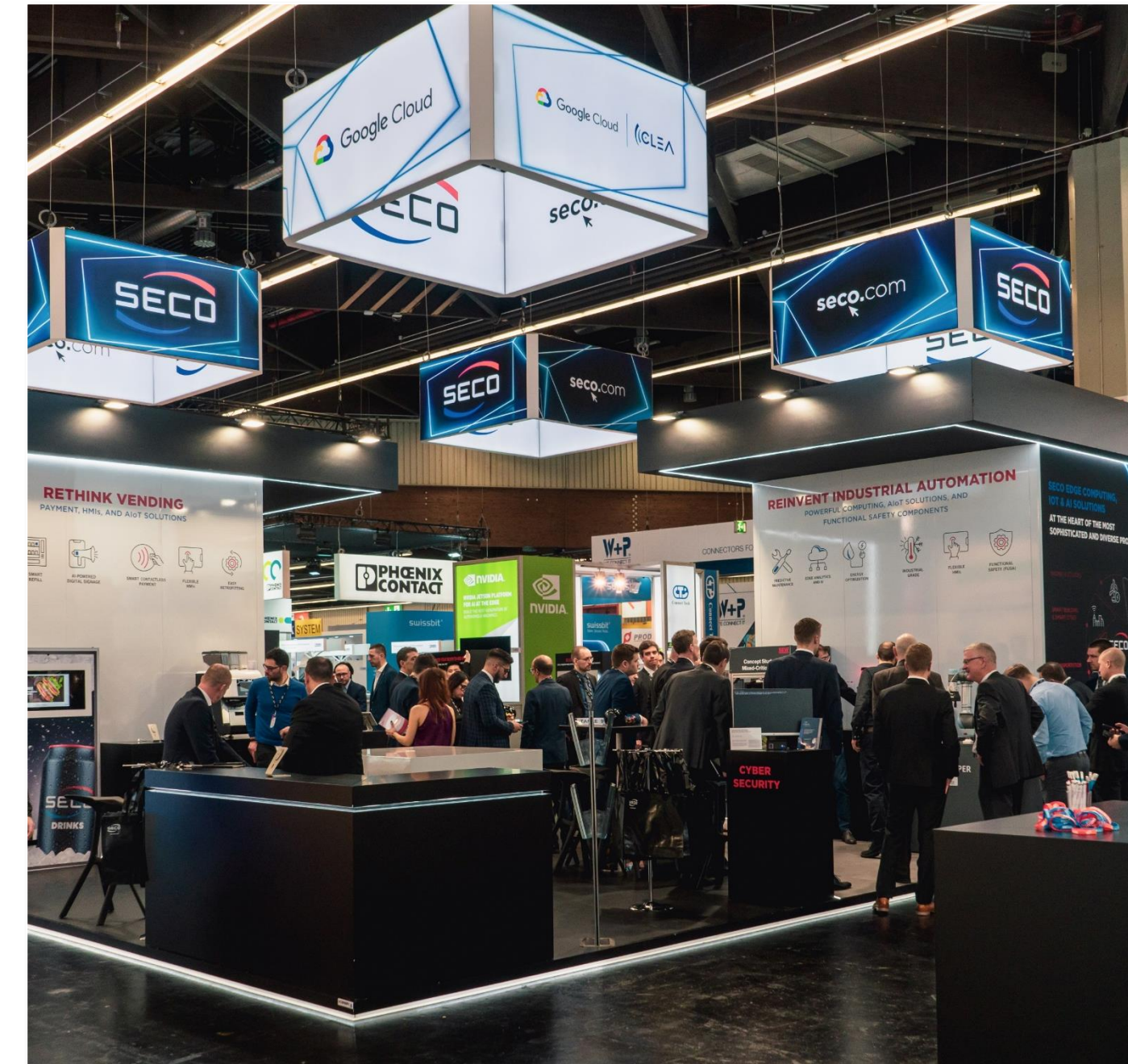


Co-operation between SECO and **Google Cloud's ecosystem** of partners



**Enhancing digital transformation in the Industrial world**

*Enabling end users to launch value added services by integrating information from all their data sources*



SECO booth at Embedded World 2023

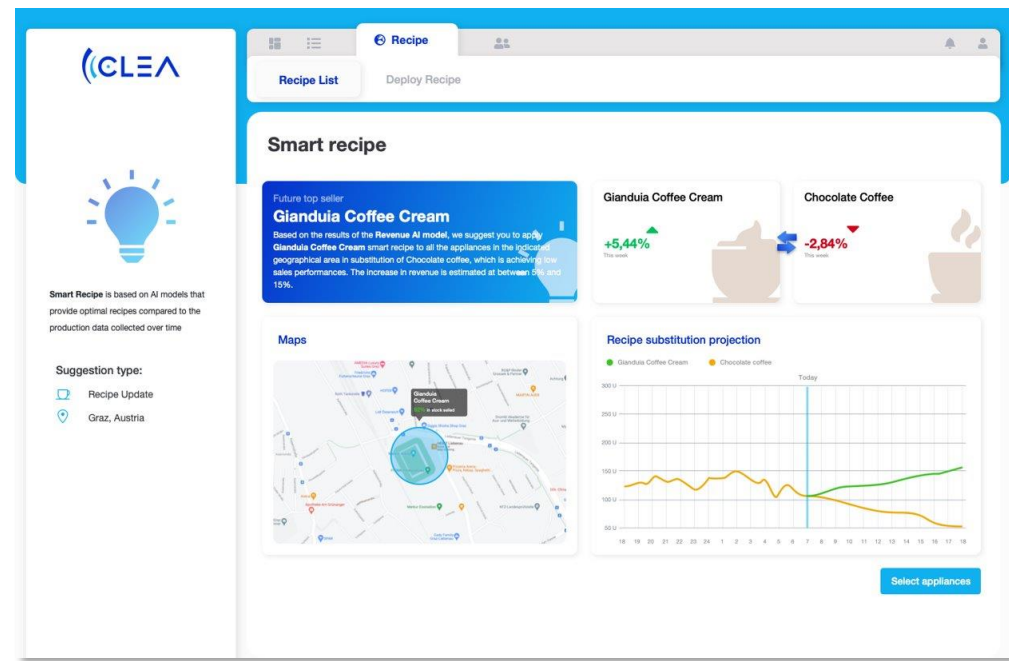


Endless ways to the future

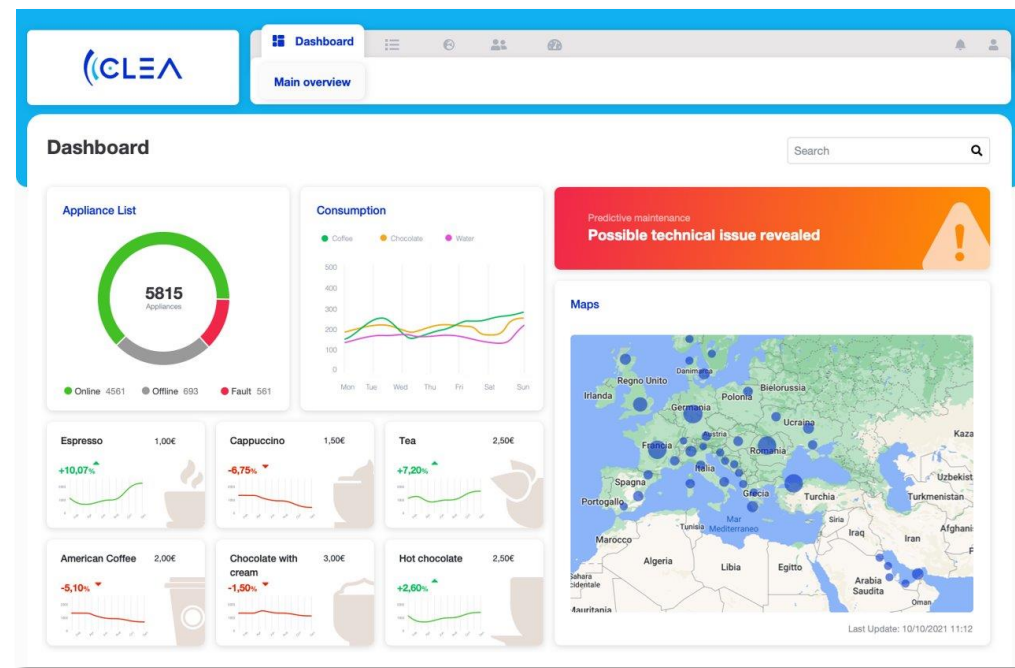
# Vertical Applications of CLEA

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

## CLEA Vending Machine Apps



[Recipe Sales Trends Analysis App](#)

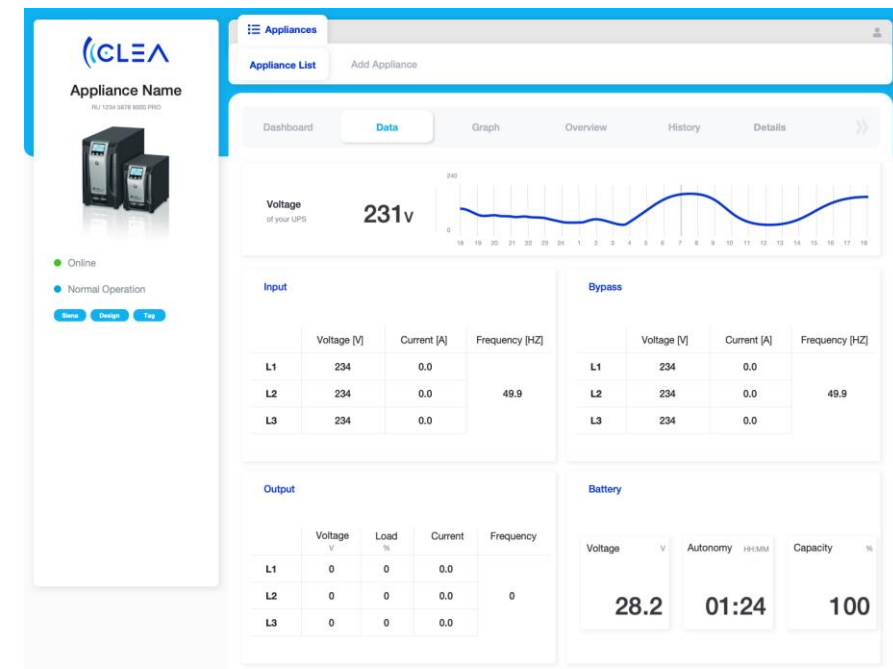


[Fault Detection & Machine Downtime Reduction](#)

[AI Smart Refill](#)

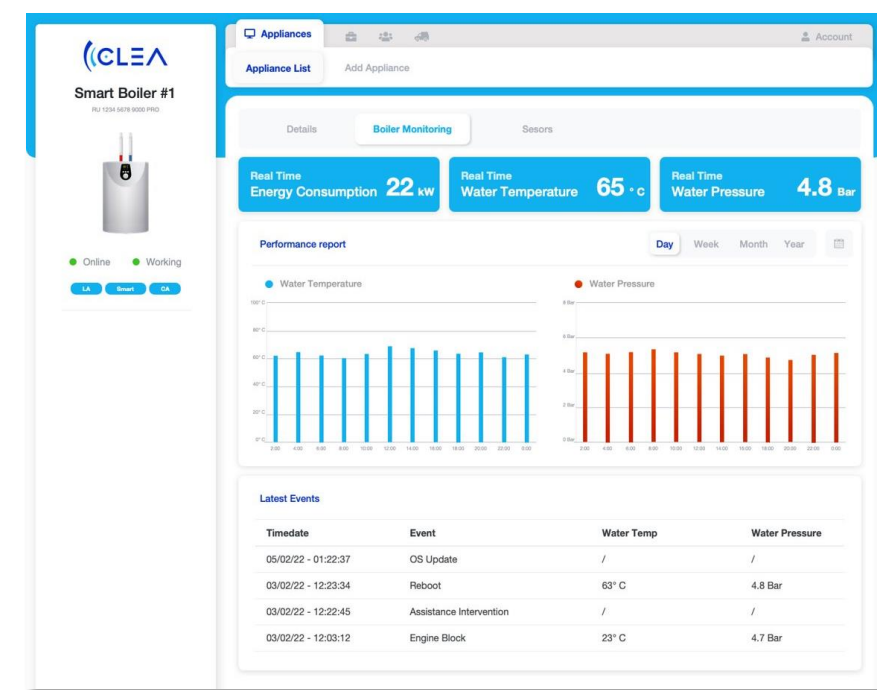
[Landing Page](#)

## CLEA UPS App



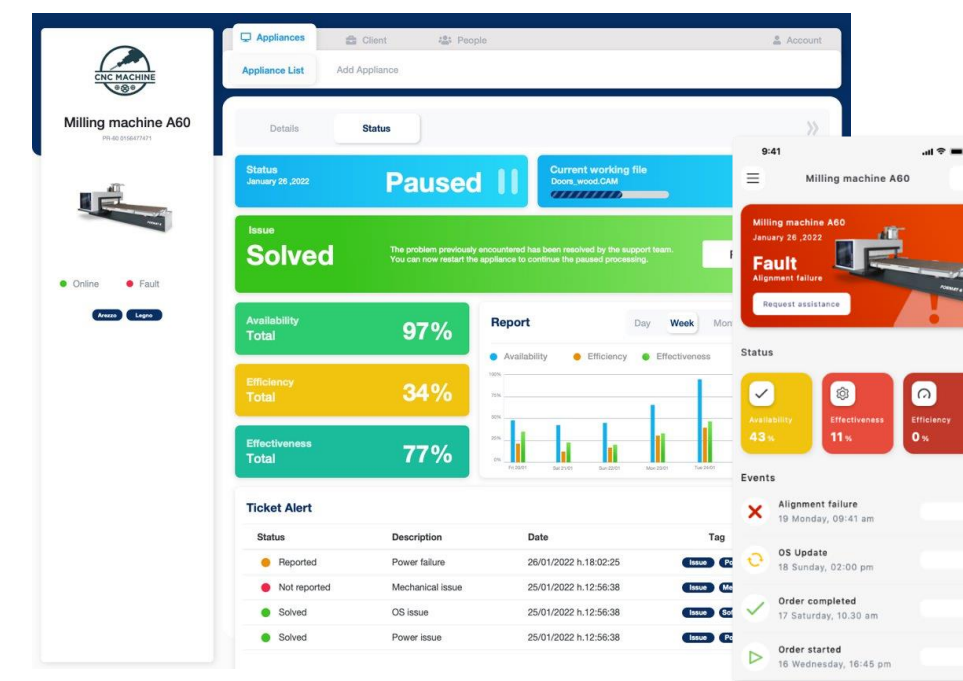
[UPS Management](#)

## CLEA Boiler App

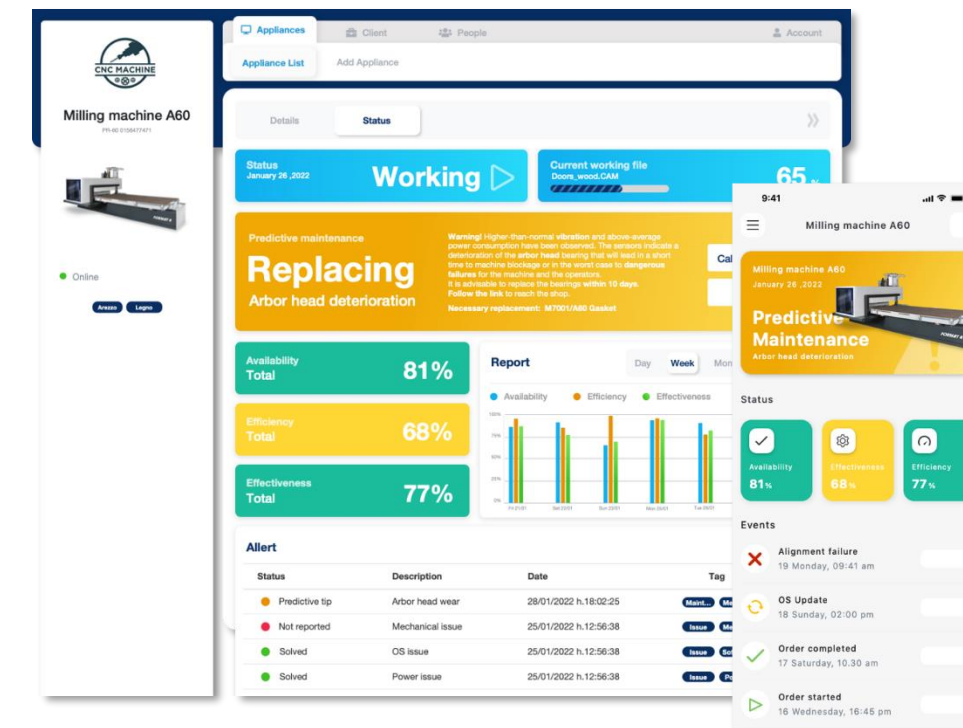


[Boiler Predictive Maintenance](#)

## CLEA for Industrial Apps

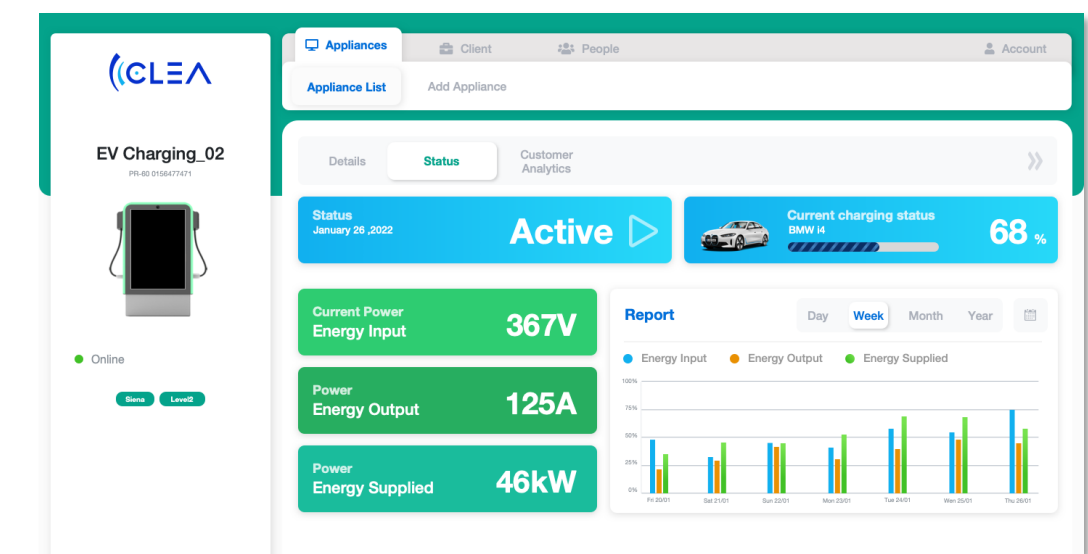


[AI Remote Assistant](#)



[Predictive Maintenance](#)

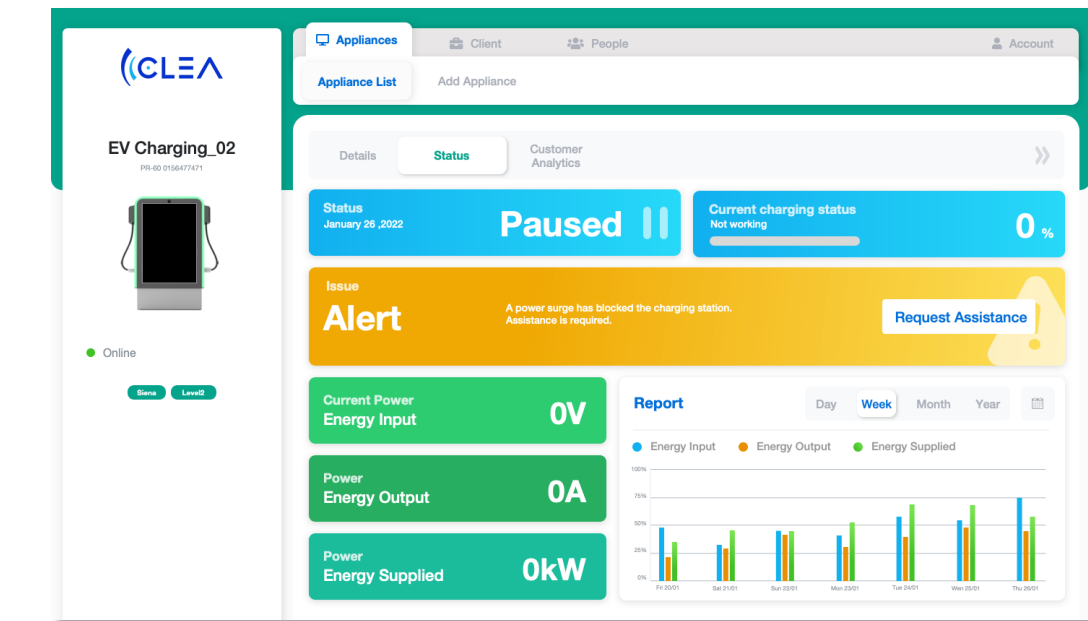
## CLEA AI EV Charging Station App



[Plate Recognition And Fleet Management](#)

[Digital Signage](#)

[Landing Page](#)

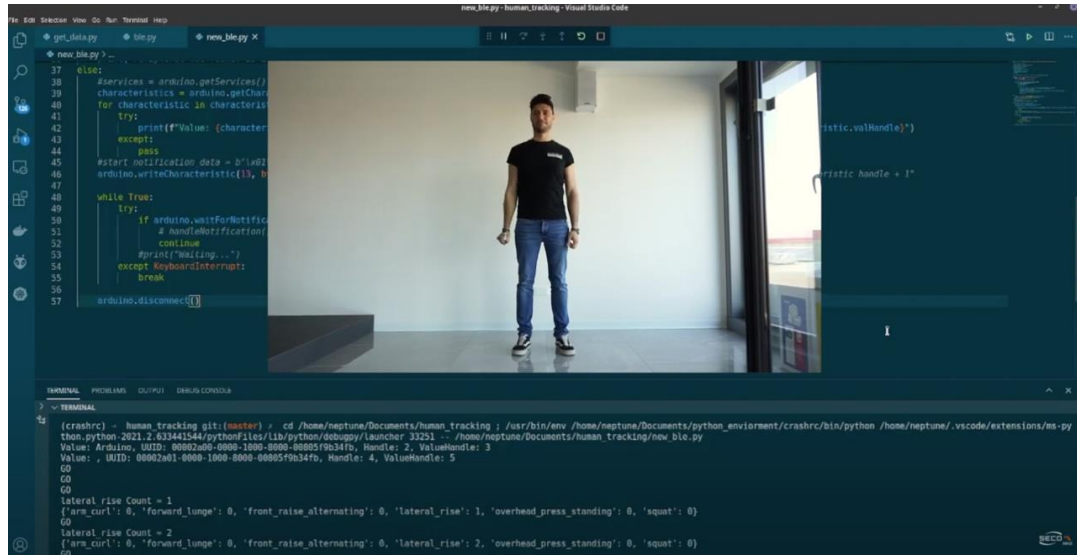


Endless ways to the future

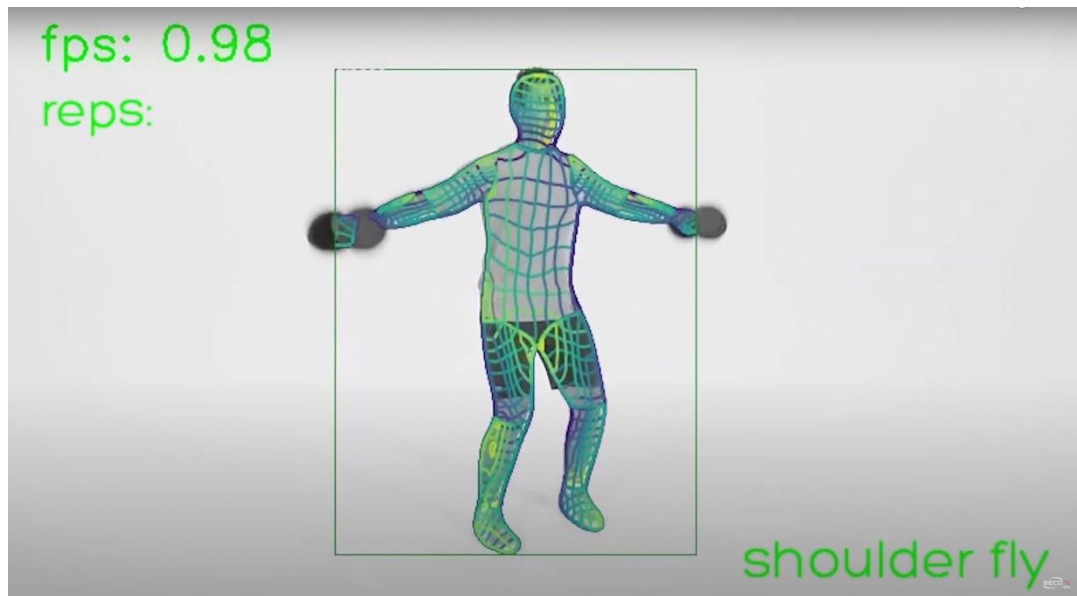
# Vertical Applications of CLEA

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

## CLEA Fitness App

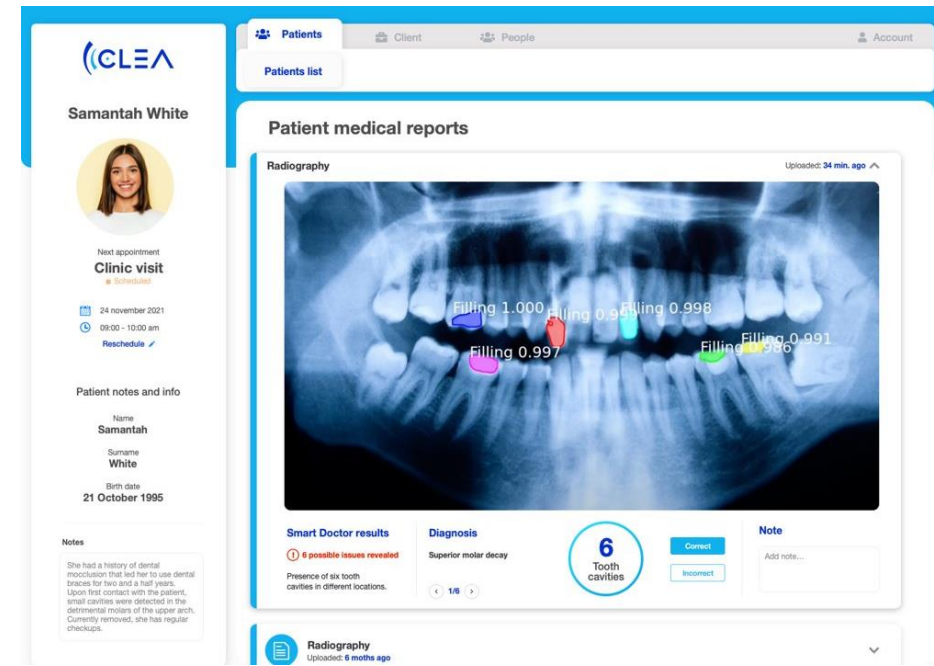


Smart Dumbbell



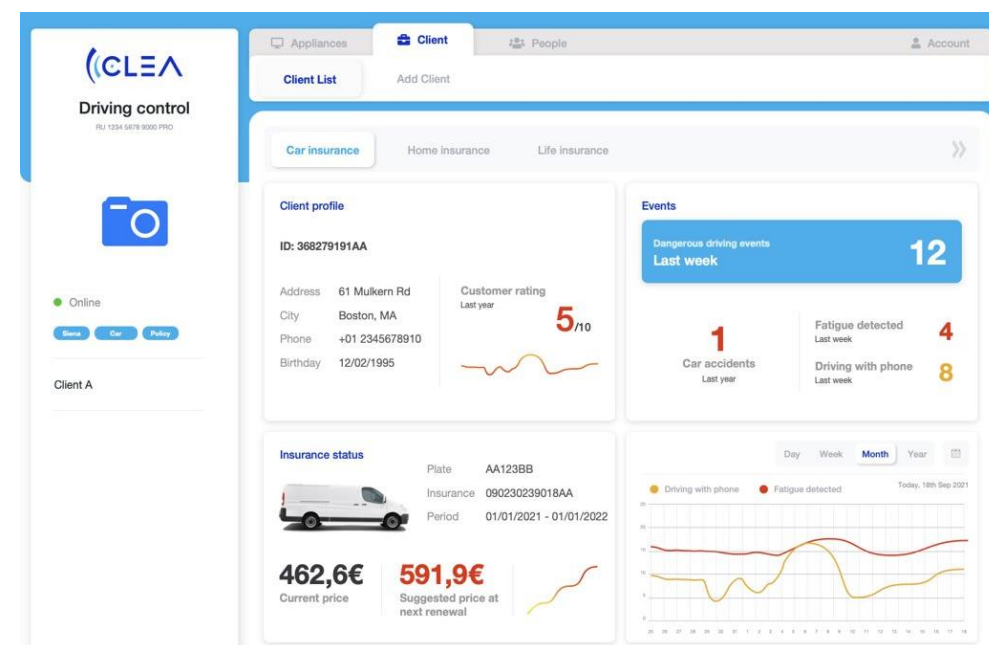
Exercise Recognition & AI Personal Trainer

## CLEA Healthcare App



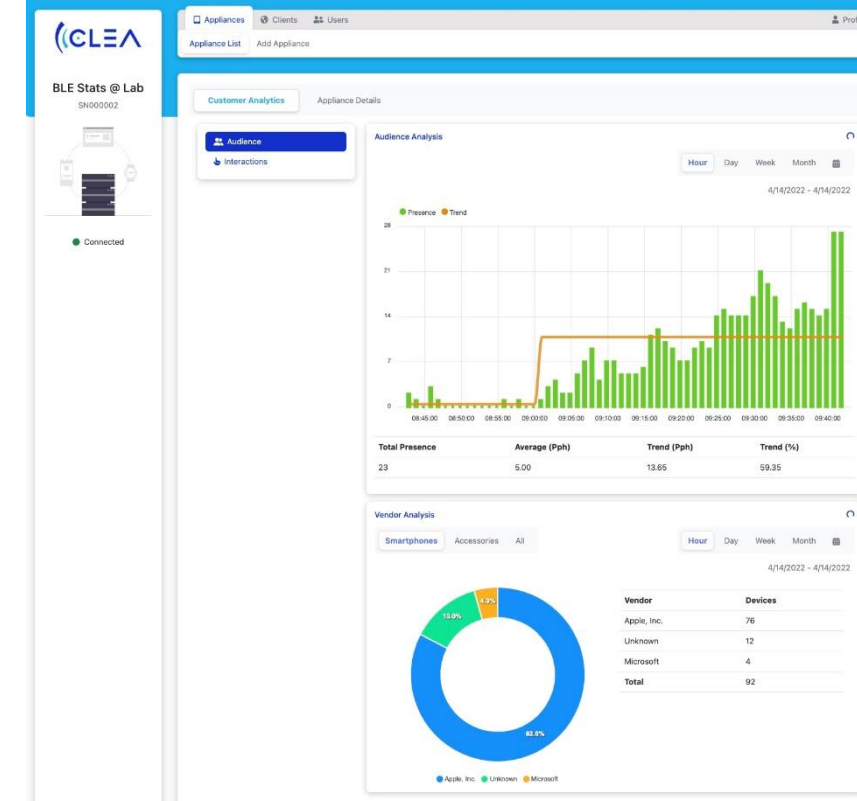
AI Tooth Cavity Detection App

## CLEA Automotive App

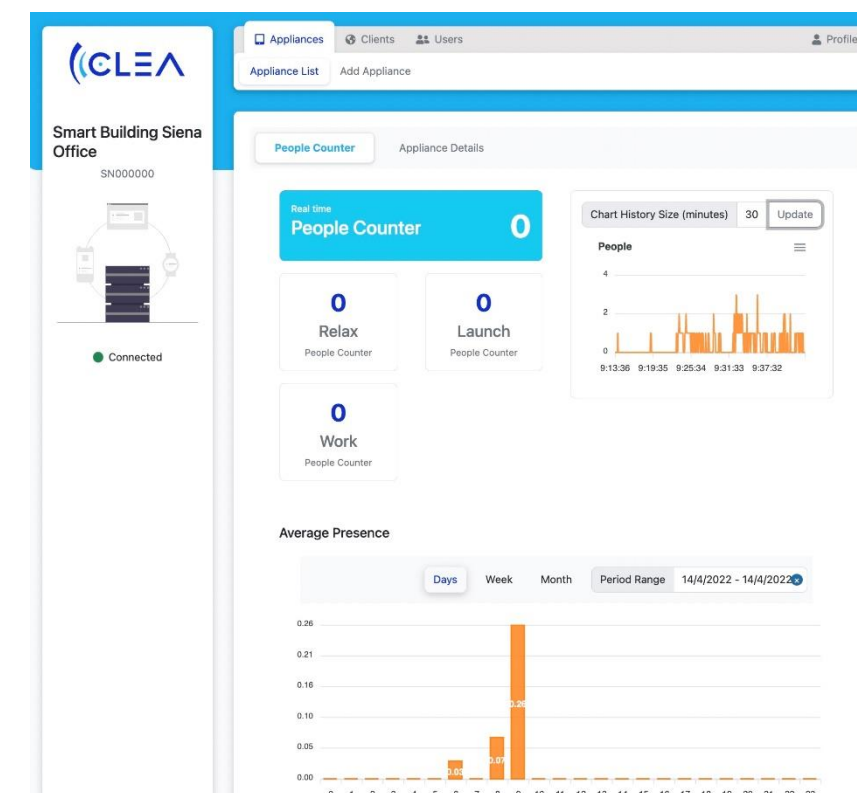


AI Driver concentration App

## CLEA for Smart Cities

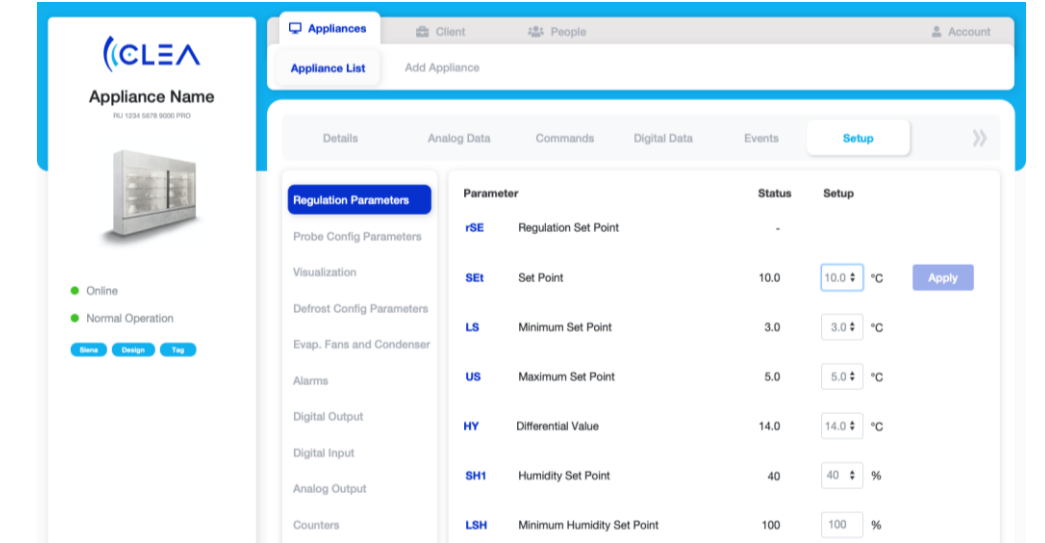


BLE Audience Analysis



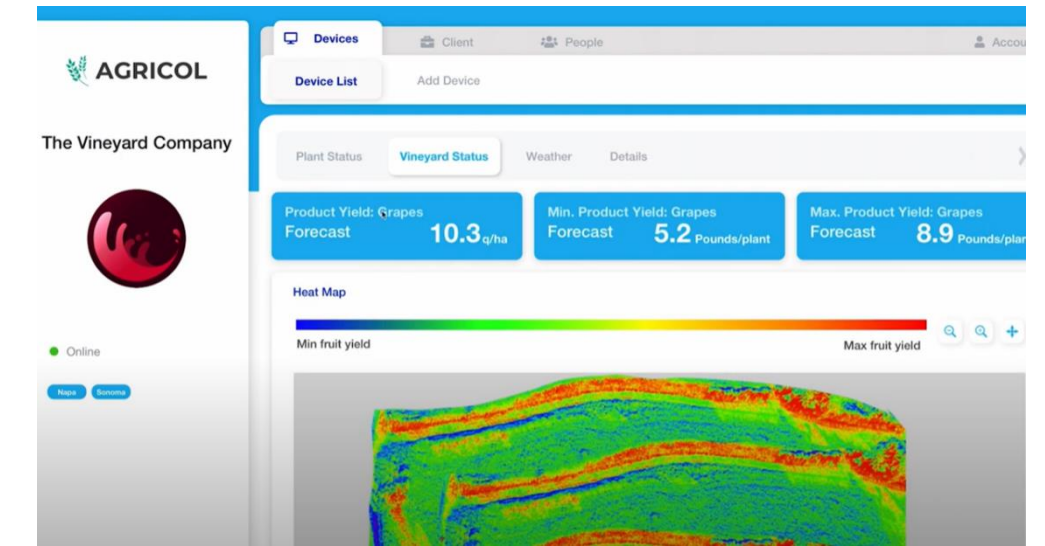
People Counter and Tracking

## CLEA Refrigeration App



Remote Setup and Management

## CLEA for Agriculture



Harvest Forecasting



Endless ways to the future

# 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



20 years

**Angelo Piloni**

*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



3 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



5 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



Endless ways to the future

---

**Thank you**

---