

SECO: FY 2023 Results and Business update presentation

March 21, 2024



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Here today



Massimo Mauri
CEO



Lorenzo Mazzini
CFO



Lorenzo Tosi
Investor Relations

Key takeaways from 2023

Resilient business model



- **FY 2023:** Net sales at **€209.8m**, **+4%** organically vs. FY 2022
- Clea business at **€22.5m** in FY 2023 (**11%** of sales), **+22%** vs. FY 2022
- Clea's portion of **recurring revenue consolidating**

Gross margin improvement



- **GPM** incidence at **53.0%** in FY 2023, **+601 bps** vs. FY 2022
- **Increased SaaS contribution** to Net sales
- Improved **components' market** conditions

Sustained profitability



- Adj. EBITDA at **€50.6m** in FY 2023 (**24.1%** of sales), **+219 bps** vs. FY 2022
- Adj. Net Income at **€22.9m** in FY 2023 (**10.9%** of sales), **+72 bps** vs. FY 2022

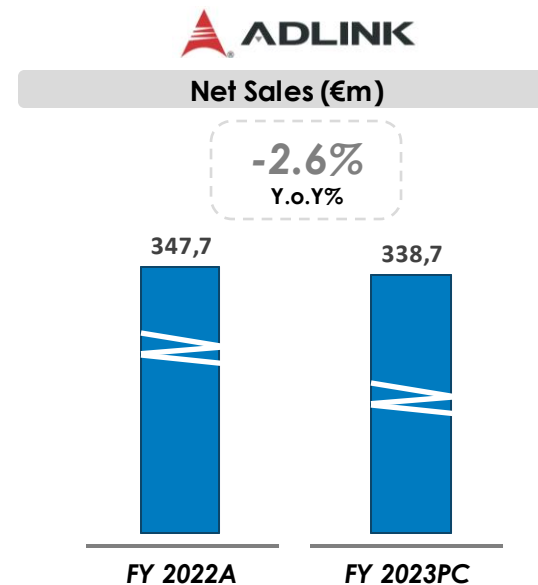
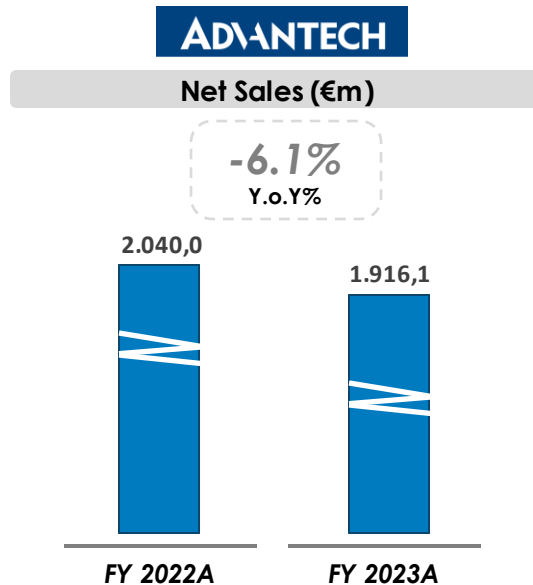
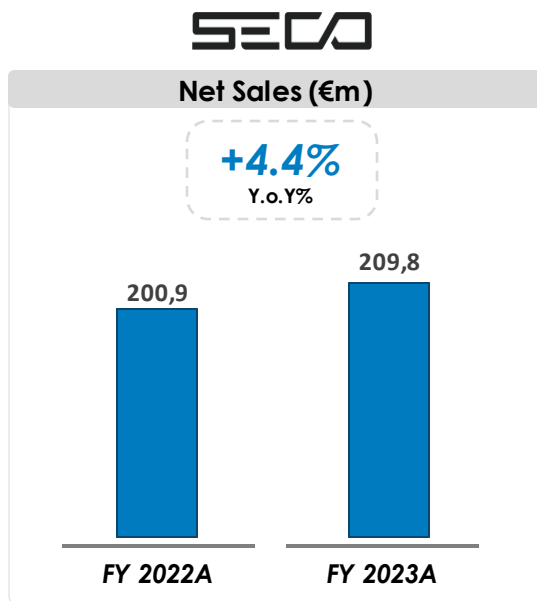
2024 focus areas



- Pursue **organic growth** and **expand SaaS revenue** (Clea and StudioX)
- Strengthen the **integration** of acquired companies to **maximize synergies**
- Focus on **profitability** and **Free Cash Flow generation**

Industry benchmark

In 2023, SECO outperformed the leading players in the Edge computing space



All figures in €m (average 2023 exchange rate from Portale Tassi di cambio - Banca d'Italia)

Financials from corporate documents

FY 2023 financial highlights

FY 22 ⇒ FY 23

Net sales

€200.9m ⇒ €209.8m

- Edge computing business growing at **3%** in FY 2023 vs. FY 2022
- Clea revenue at **€22.5m** in FY 2023 vs. €18.5m in FY 2022 (**+22%**)

Gross margin

€94.3m ⇒ €111.1m
 { 46.9% } { 53.0% }

- **+18% growth** in FY 2023 vs. FY 2022
- Margin increase driven by an improved sales mix, with the higher contribution of Clea, coupled with more favorable conditions in the components market

Adj. EBITDA

€44.0m ⇒ €50.6m
 { 21.9% } { 24.1% }

- **+15% growth** in FY 2023 vs. FY 2022
- More than proportional increase vs. revenue growth, thanks to Gross margin effect

Adj. Net Income

€20.5m ⇒ €22.9m
 { 10.2% } { 10.9% }

- **+12% growth** in FY 2023 vs. FY 2022
- D&A: +€1.8m higher vs. FY 2022
- Financial expenses: +€0.4m higher vs. FY 2022, largely due to the increase in market interest rates

Net sales

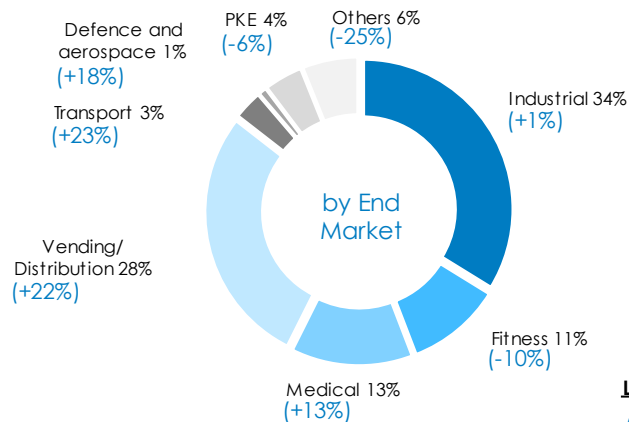
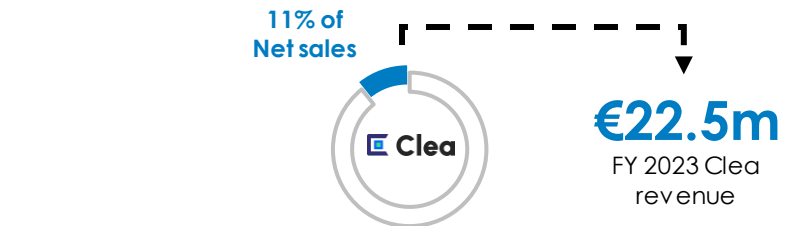
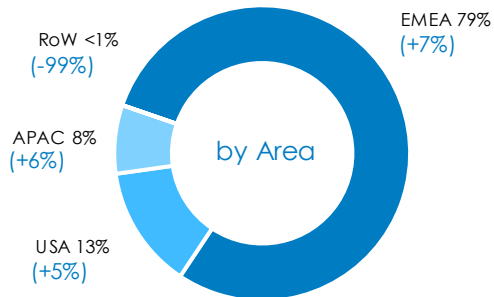
€209.8m

FY 2023 Net sales

+€8.9m

FY 2023 vs. FY 2022

Net sales breakdown (FY 2023)



Legend

(±...)% Change vs. FY 2022

- FY 2023 Net sales growing organically by **+4%** vs. FY 2022
- Growth distributed across geographical areas and verticals

- Clea business at **€22.5m** revenue in FY 2023 (**+22%** vs. FY 2022), of which **€6.3m** in Q4 2023
- Clea recurring revenue above **€10m**

Adjusted EBITDA

€50.6m

FY 2023 Adj. EBITDA

+€6.6m

FY 2023 vs. FY 2022

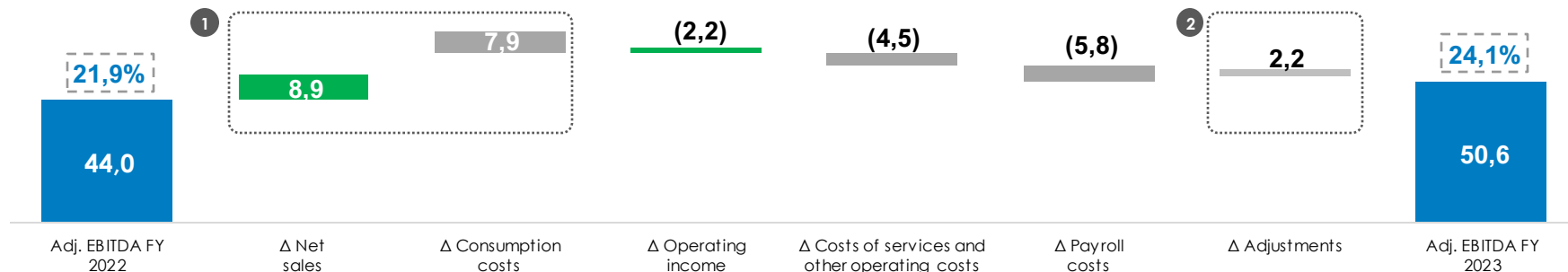
+15%

% growth vs. FY 2022

24.1%

of Net sales

Adjusted EBITDA bridge (€m)



1 Gross margin effect

- Gross margin at **53.0% of sales** (up by +18% vs. FY 2022), mainly thanks to **Clea business expansion** and **improved Edge computing sales mix**, as well as a **decrease in components' price** following market stabilization

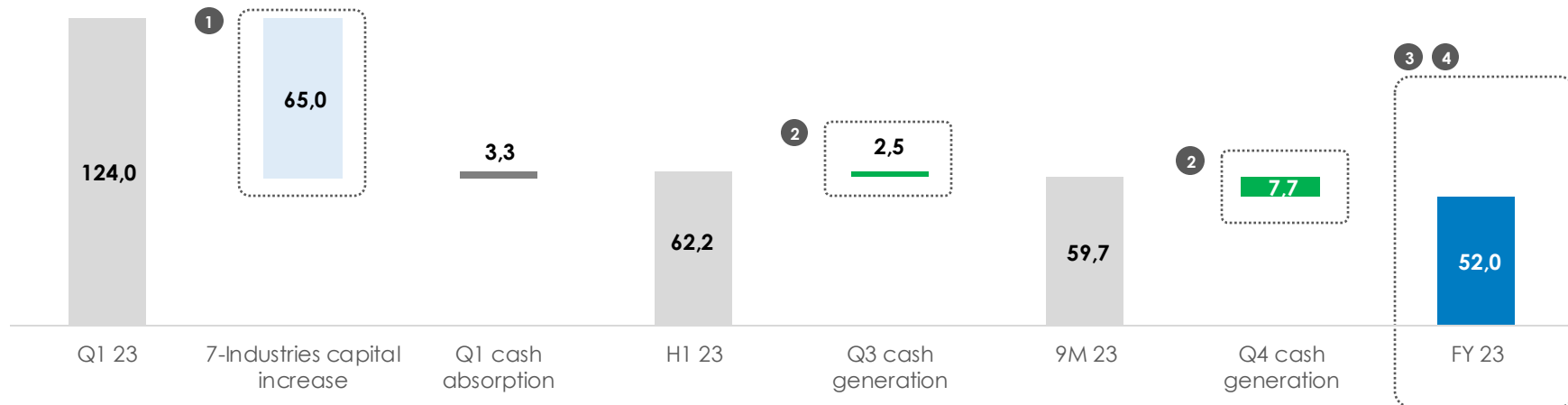
2 Adjustments

- FY 2023 EBITDA Adjustments (€m)



Adjusted Net financial position

Adjusted Net debt evolution (€m)



1 Capital increase

- **€65M capital increase** reserved to 7-Industries Holding B.V. completed in Q2 2023

2 Cash generation

€10.2m

Cash generation
in the last two quarters

3 Net debt Adjustments

VAT
receivables
€ 2,4 m

€13.1m
in FY 2023

Lease
liabilities ex-
IFRS 16...

4 Leverage

- Significantly lowered leverage and **increased financial flexibility** to support SECO's expansion plans

Leverage

(Adj. Net Debt / Adj. EBITDA)

2.7x
FY 2022



1.0x
FY 2023

Business update

SECO

Amidst the eco-digital revolution...

Key takeaways from Capgemini's "The Eco-Digital Era"

\$33tn

Eco-Digital
market value by 2028

CO₂ decrease

By 2028, emissions
reduction via digital tech
to surpass emissions
from its usage

Cost efficiency

Boosted by **Edge computing**
and **data analysis**,
AI-services integration with
connected and smart devices

Industry 5.0: accelerating a Digital and Green transition



NRRP incentives promote **energy-efficient machines**, aligning with EU Commission objectives



AI-powered, data-driven processes minimize waste and maximizes energy savings, promoting sustainability



Next-gen industrial automation: sensors, machine learning & AI enable **human-machine interactions** and **safe collaboration**, enhancing **efficiency**



Edge AI: computational capacity where it matters

AI at the Edge vs. Cloud processing



Real-time data analysis with **~0 latency**



Cost reduction by 5-6x without cloud renting



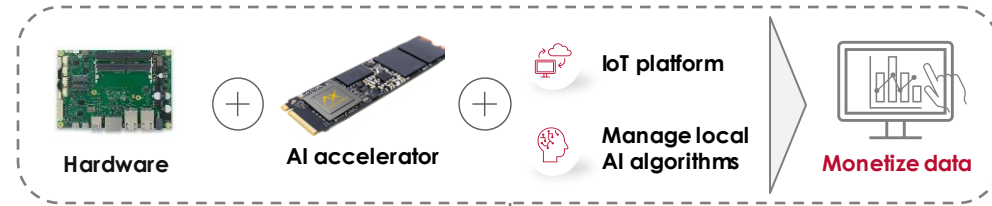
Enhanced privacy through local data processing



Low power consumption for energy efficiency



Collect and manage data at the edge
with our **IoT platform**



Benefits for the customers

New revenue streams



Launch innovative services for **increased value-added**

Cut management costs



Optimizing settings and device maintenance



Real-Time quality inspection



Image processing & analysis



Autonomous robotics



Real-time object recognition

Real use cases

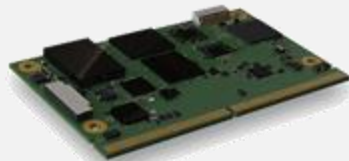
Expanding our product linecard, leveraging on partnerships

AI at the Edge



SECO

Qualcomm
IIoT design center partner



Already announced new Qualcomm SoM to develop and deploy a low-cost, low-power module to deliver real-time and local AI models



New SECO products for computer vision in H2 '24

AI-industrial server boosting demand for on-device, high-performance machine learning applications



Powered by  AXELERA



Clea's module **Astarte** now **available on**

 Google Cloud Marketplace

➤ **Astarte**



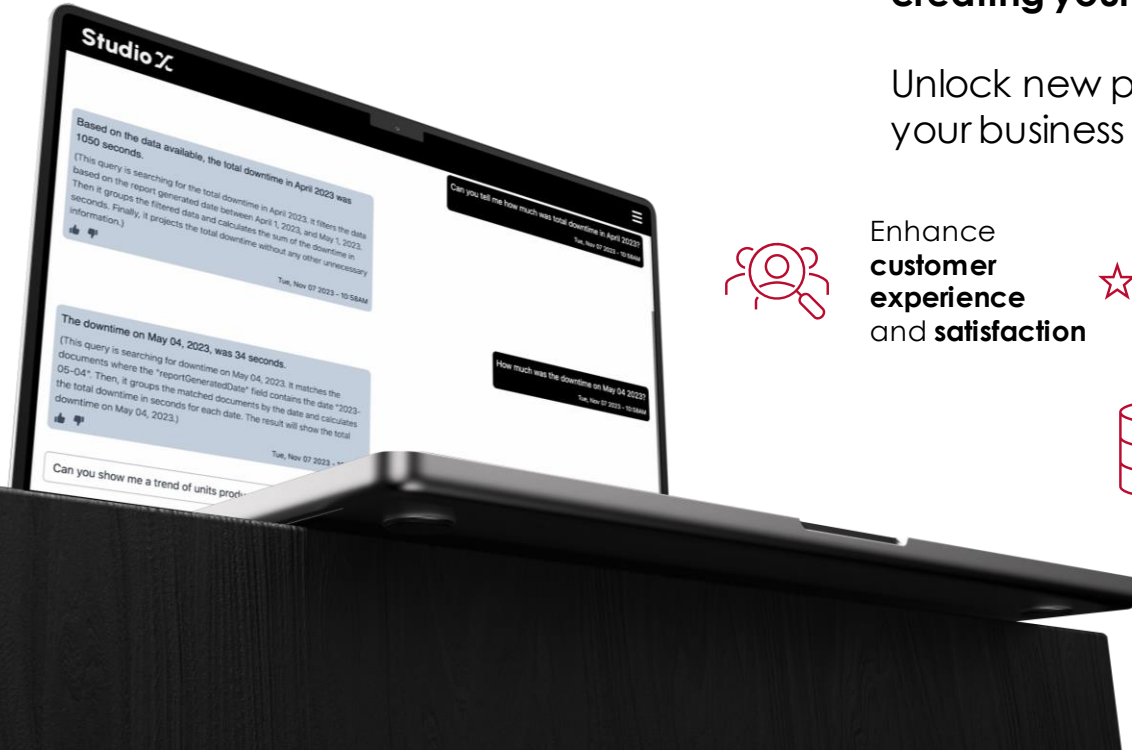
Orchestrate IoT field data and handle device-to-cloud communication

Scan the QR



SECO AI Services

StudioX



A customizable, easy to use platform for creating your own AI-powered support services

Unlock new possibilities with **StudioX** and elevate your business with AI-powered solutions



Enhance **customer experience** and **satisfaction**



Elevate **product quality**



Optimize **operational productivity**



Access **AI-generated knowledge** in real-time



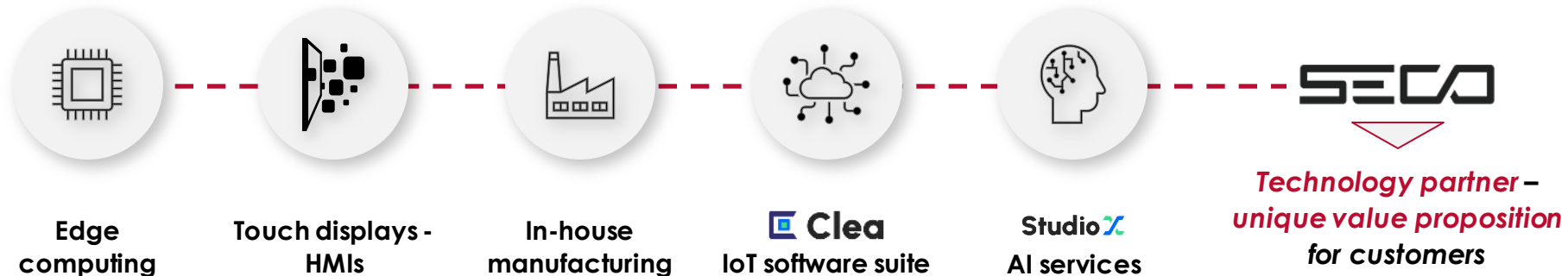
Ingest structured or unstructured **data** directly from **machinery**



Add **innovative features** to your **products**

Redefining our reference market paradigms

An unparalleled positioning



Q&A

SECO

Annex

SECO

SECO in a snapshot

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



€210M
2023 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



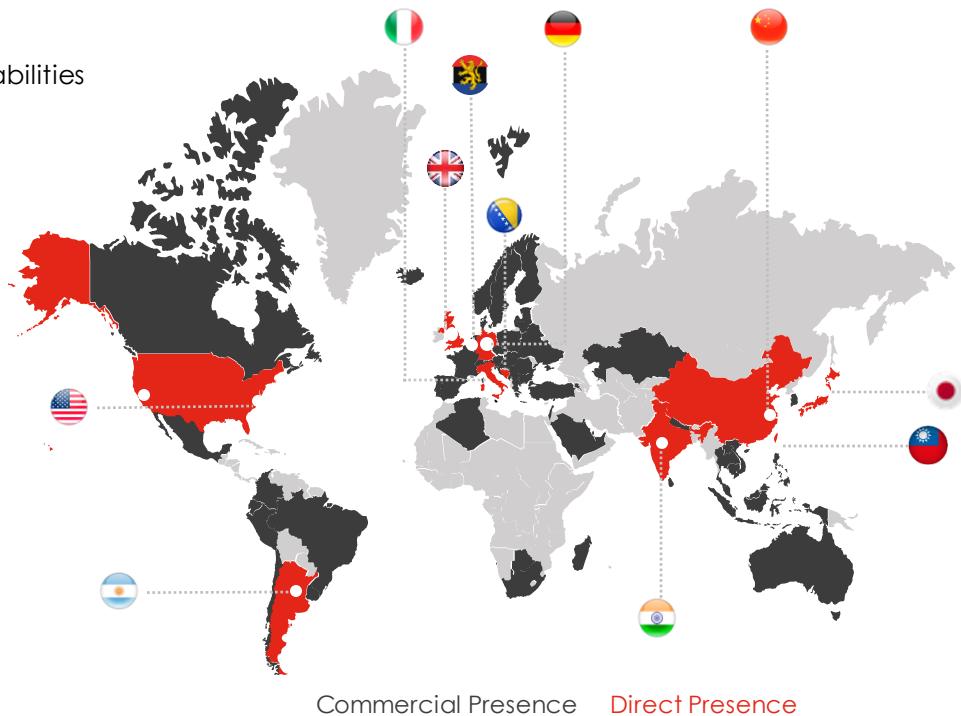
~ 7-10%
of revenue invested in R&D every year



10 R&D centers
5 production plants



11 countries



**Our
production
plants**



Financials overview

Income Statement

€mln	FY 2022	FY 2023
Net Sales	200,9	209,8
Consumption Costs	(106,6)	(98,7)
Gross Margin	94,3	111,1
% on Net Sales	46,9%	53,0%
Other revenues	4,4	2,2
Personnel costs	(34,9)	(40,7)
Other Opex	(23,5)	(27,6)
Exchange gains/losses	0,4	0,0
EBITDA	40,7	45,0
% on Net Sales	20,2%	21,5%
EBITDA ADJ	44,0	50,6
% on Net Sales	21,9%	24,1%
Depreciation	(18,7)	(20,4)
EBIT	21,6	24,6
% on Net Sales	10,8%	11,7%
Financial expenses	(5,0)	(5,3)
Tax	(2,5)	(4,6)
Net Income	14,6	14,6
% on Net Sales	7,3%	7,0%

Balance Sheet

€mln	FY 2022	FY 2023
Net Working Capital	80,5	91,4
Total Fixed Assets	311,1	310,9
Other non-current assets	3,9	3,9
Provisions and other non-current liabilities	(30,1)	(28,6)
Net Invested Capital	365,4	377,6
Net Financial Position	128,8	65,1
Net Financial Position ADJ.	118,8	52,0
Total Equity	236,6	312,5
Total Funds	365,4	377,6

Revenue and cost model

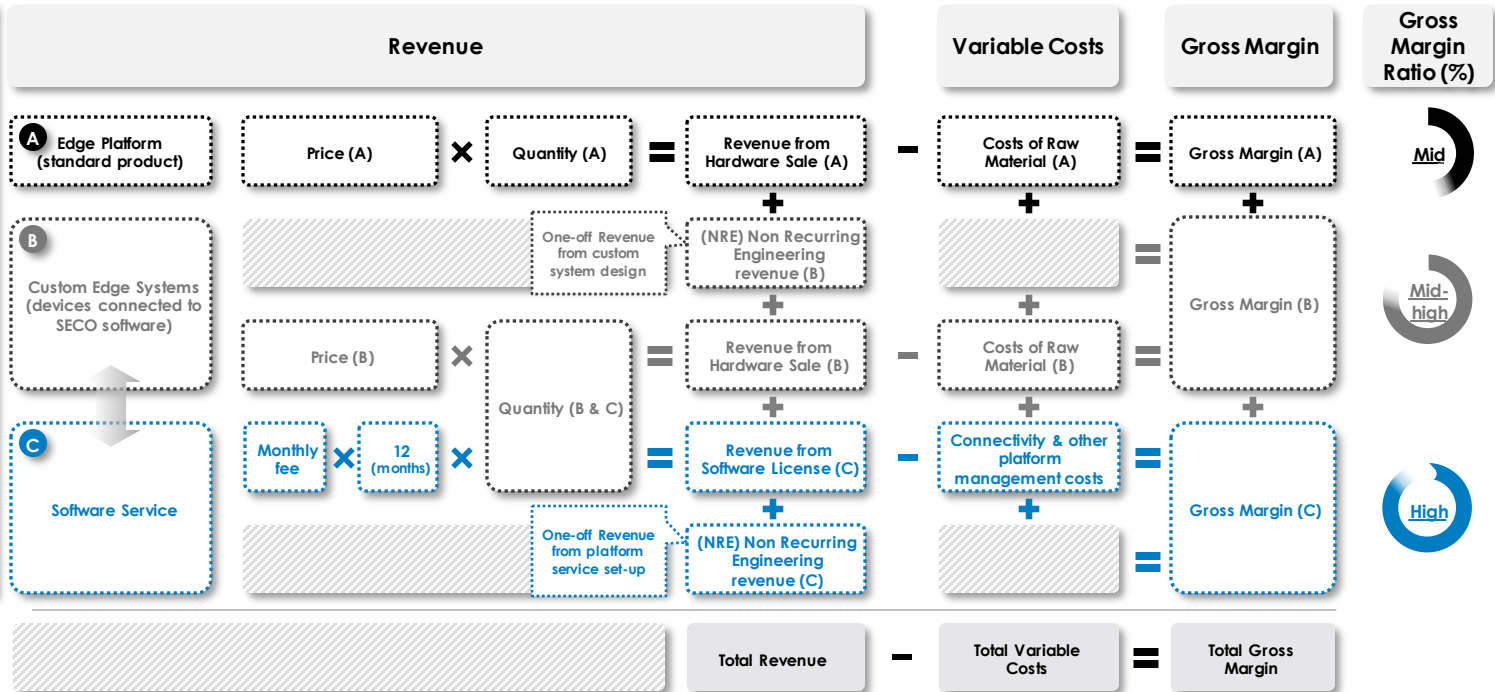
Illustrative example of gross margin assuming only three product typologies:

A Edge Platform (standard product)

B Custom Edge System

(device connected to SECO software)

C Software Service connected to the Custom Edge System



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

Business model

High revenue visibility



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

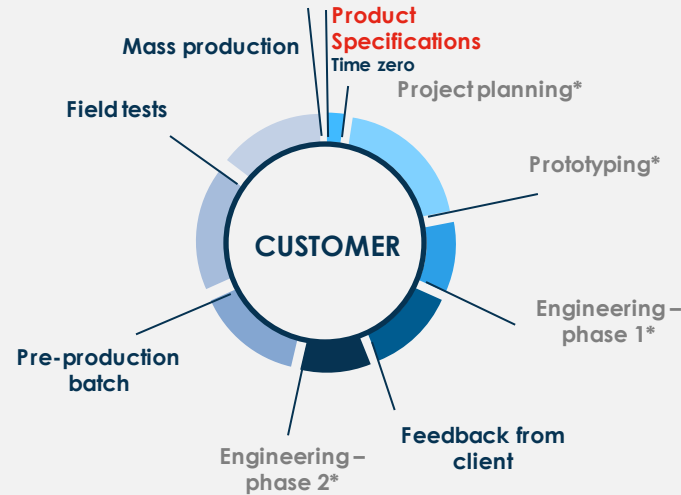
Order backlog coverage
6-7 months

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

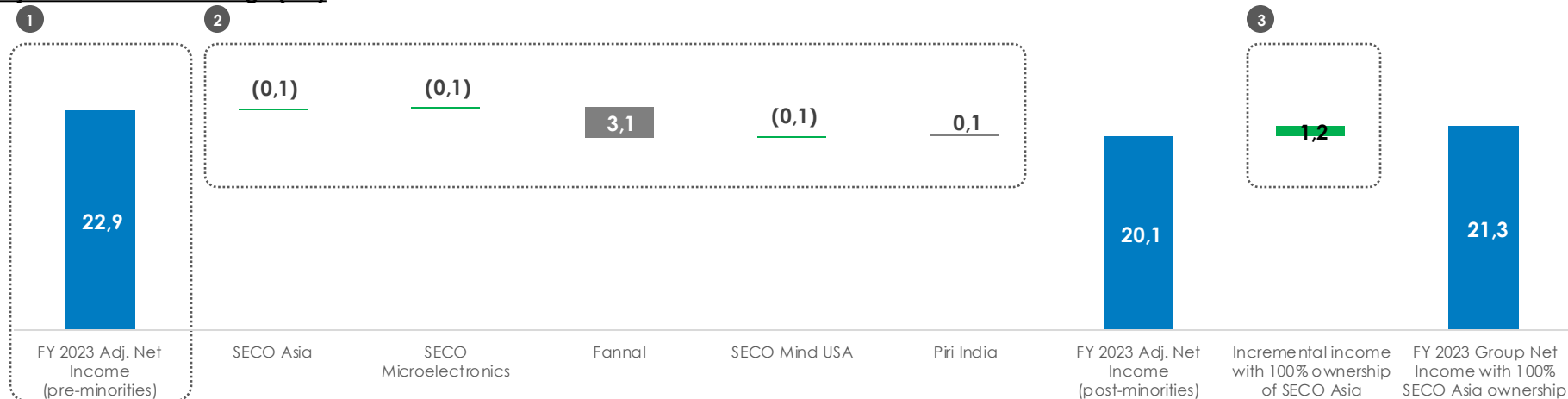
*Those production steps only refer to custom products



- **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

Adjusted Net Income

Adjusted Net income bridge (€m)



1 Adj. Net income

- D&A: +€1.8m higher vs. FY2022
- Financial expenses: +€0.4m higher vs. FY 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 FY 2023, most of minority interests concentrated into Fannal, in which SECO S.p.A. holds a 28% share (= 51% * 55%) as illustrated below:



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

3 Effect of rising to 100% of SECO Asia

- Remaining 49% of SECO Asia, owned by Simest S.p.A., can be bought by SECO at the Simest S.p.A. entry valuation (€3.4m)



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

Thank you

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