



Endless ways to the future

SECO: Q1 2022 Results and Business update presentation

May 13, 2022

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Here today



Massimo Mauri
CEO



Lorenzo Mazzini
CFO

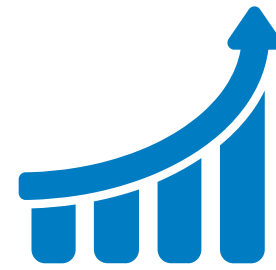
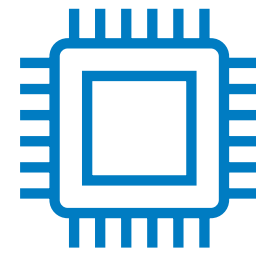


Marco Parisi
Head of Investor Relations

Key takeaways from 2022 YTD

1.

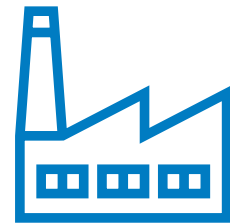
*Delivering execution
in a complex
scenario*



- Components' availability is key to **ensure continuity in deliveries** to our customers
- Gross margin and cash flow pressure to be seen as contingent, short-term effects of the most difficult quarter of this year
- **Q1 2022**: Net sales at **€42.8m**, **+120%** vs. Q1 2021(**+56%** organic, **+45%** on a like-for-like basis)
- Adj. EBITDA at **€8.6m** (**20.0%** of sales), **+86%** vs. Q1 2021

2.

*Solid and resilient
business model*



- **GPM** incidence stable vs. FY 2021, at **47%** despite components' shortage on the market
- SaaS business at **€3.7m** in Q1 2022 (**+68%** vs. Q4 2021)

3.

*Increased visibility
on 2022-23*






- **Order backlog at €164m** at 30.04.22 vs. **€69M** (April 2021) on a like-for-like basis
- **FY Net sales guidance at €200m confirmed**
- **Q2 2022 Net sales**: official guidance at **€51m-52m**, **+128%-133%** vs. Q2 2021 (**+67%-71%** organic, **+51%-54%** on a like-for-like basis)

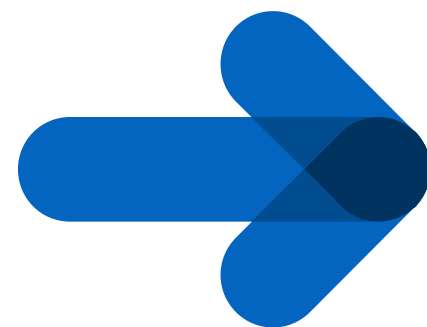
Key takeaways from 2022 YTD (cont'd)

A resilient business model: how we are facing the components' shortage

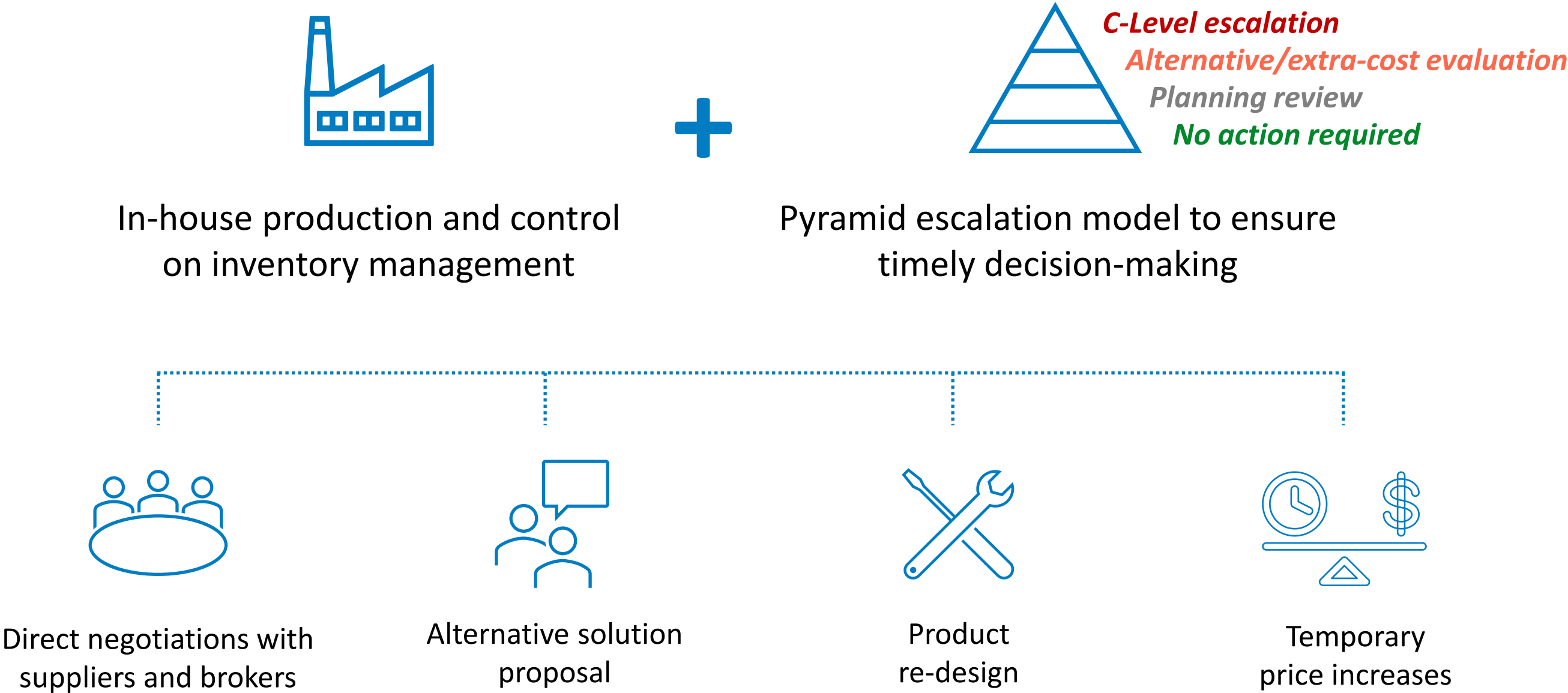
Ensuring shipping continuity: today's most powerful way to strengthen our **long-term competitive advantage** and acquire **new business opportunities**

Shortage main impacts on SECO business

-  Decreasing GPM on the edge computing business
-  Working capital increase to maximise components availability
-  Difficulties in finding some components impacted on some product deliveries scheduled for end of Q1 2022



Our levers to tackle it and keep delivering customer orders



Q1 2022 financial highlights

Strong revenue growth, with gross margin substantially unchanged vs. end-of-2021 levels

+120%

Net sales growth

€42.8m in Q1 2022 (vs. €19.4m in Q1 2021)

- **+56%** organic growth, **+45%** like-for-like growth in Q1 2022 vs. Q1 2021
- Edge computing business growing at **~106%** in Q1 2022 vs. Q1 2021
- SaaS revenue at **~€3.7m** in Q1 2022 (**+68%** vs. Q4 2021)
- Growth distributed across EMEA, APAC and USA

+104%

Gross margin growth

€20.1m in Q1 2022 (vs. €9.8m in Q1 2021)

- **47.0% of net sales in Q1 2022, vs. 50.6% in Q1 2021**
- Profitability substantially unchanged vs. FY 2021, 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



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Q1 2022 financial highlights (cont'd)

Sustained Adj. EBITDA growth thanks to Edge computing + SaaS businesses expansion

+86%

Adj. EBITDA growth

€8.6m in Q1 2022 (vs. €4.6m in Q1 2021)

- **20.0% of net sales in Q1 2022** vs. 23.7% in Q1 2021
- Q1 2022 vs. Q1 2021 change in incidence substantially due to gross margin effect

+31%

Adj. Net Income growth

€3.2m in Q1 2022 (vs. €2.5m in Q1 2021)

- **7.5% of net sales in Q1 2022** vs. 12.6% in Q1 2021
- D&A: +€1.7m higher vs. Q1 2021, driven also by purchase price allocation (PPA) on G&F customer list
- Financial expenses: +€0.7M higher vs. Q1 2021, largely due to G&F acquisition financing
- Potential upside (taxes calculated with theoretical tax rate)

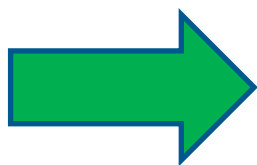
Net sales

€42.8m

Q1 2022 Net sales

+€23.3m

Q1 2022 vs. Q1 2021



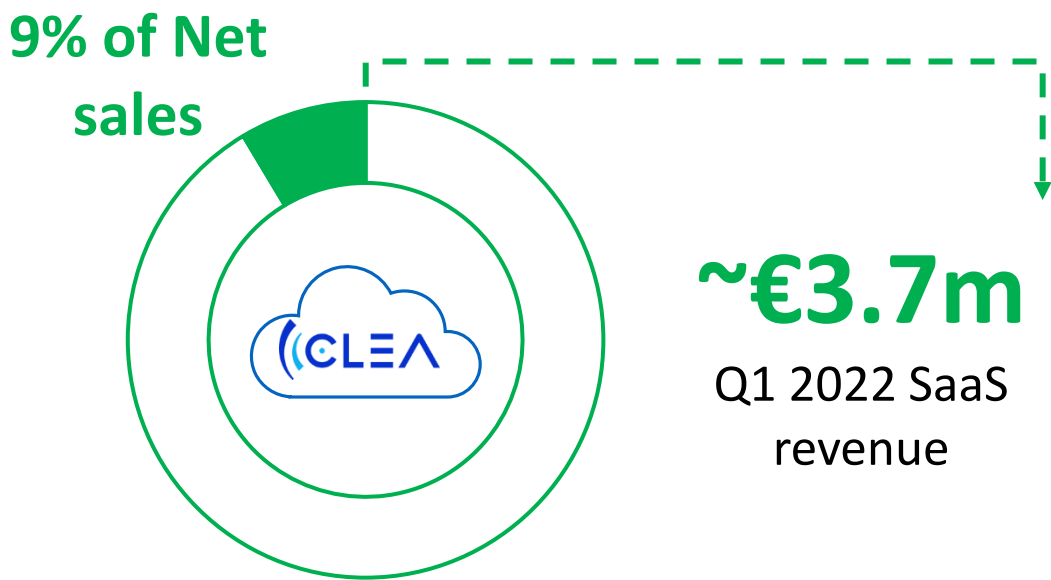
Q1 2022 vs. Q1 2021 growth

+106%

Edge computing growth
(~+40% on a like-for-like basis)

+620%

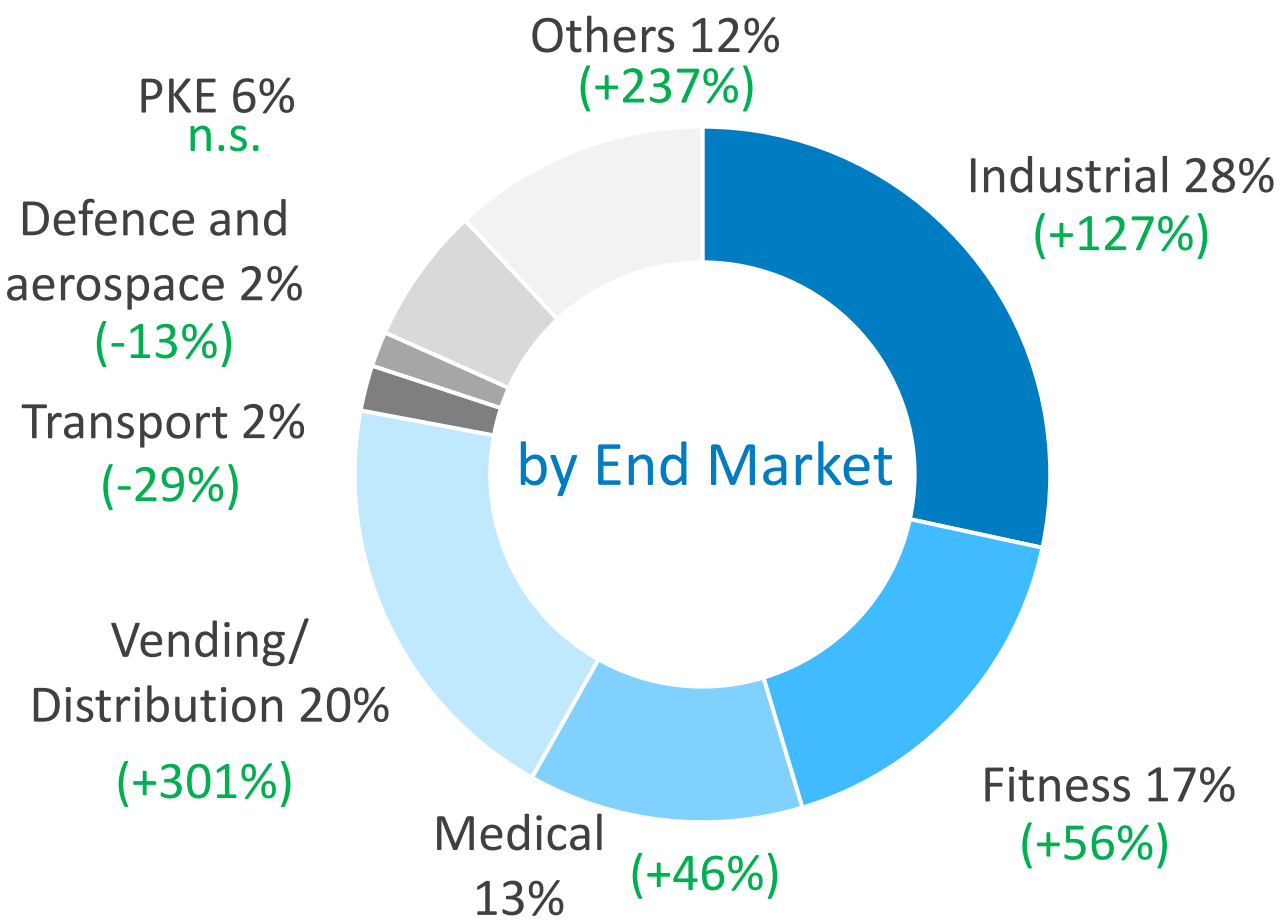
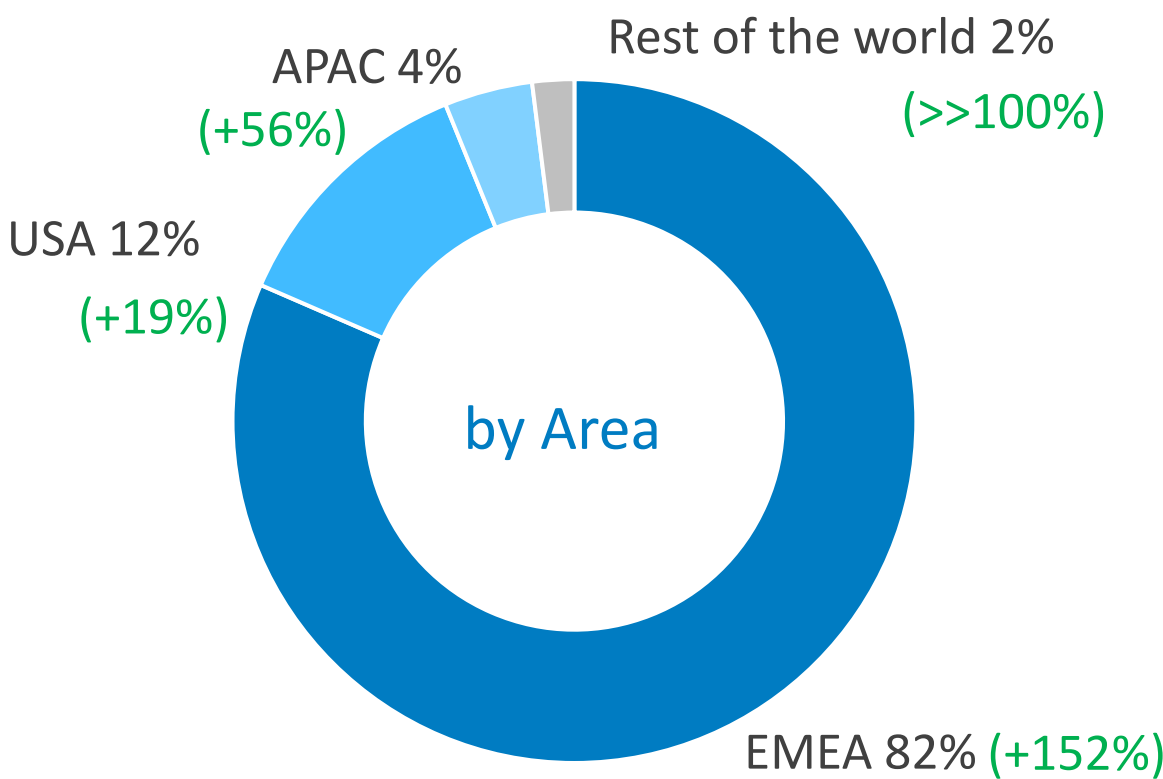
SaaS growth



+68%

vs. Q4 2021

Net sales breakdown (Q1 2022)



Legend
(±XX%) Change vs. Q1 2021

- Q1 2022 Net sales growing by +120% vs. Q1 2021 (+56% organic, +45% on a like-for-like basis)
- Edge computing business at +106% in Q1 2022, largely thanks to a growth in the Industrial, Fitness, Medical, Vending industries

- SaaS business continuing its strong expansion trend, hitting ~€3.7m revenue in Q1 2022 (+620% vs. Q1 2021, +68% vs. Q4 2021)
- EMEA, APAC, USA markets all showing growth trends

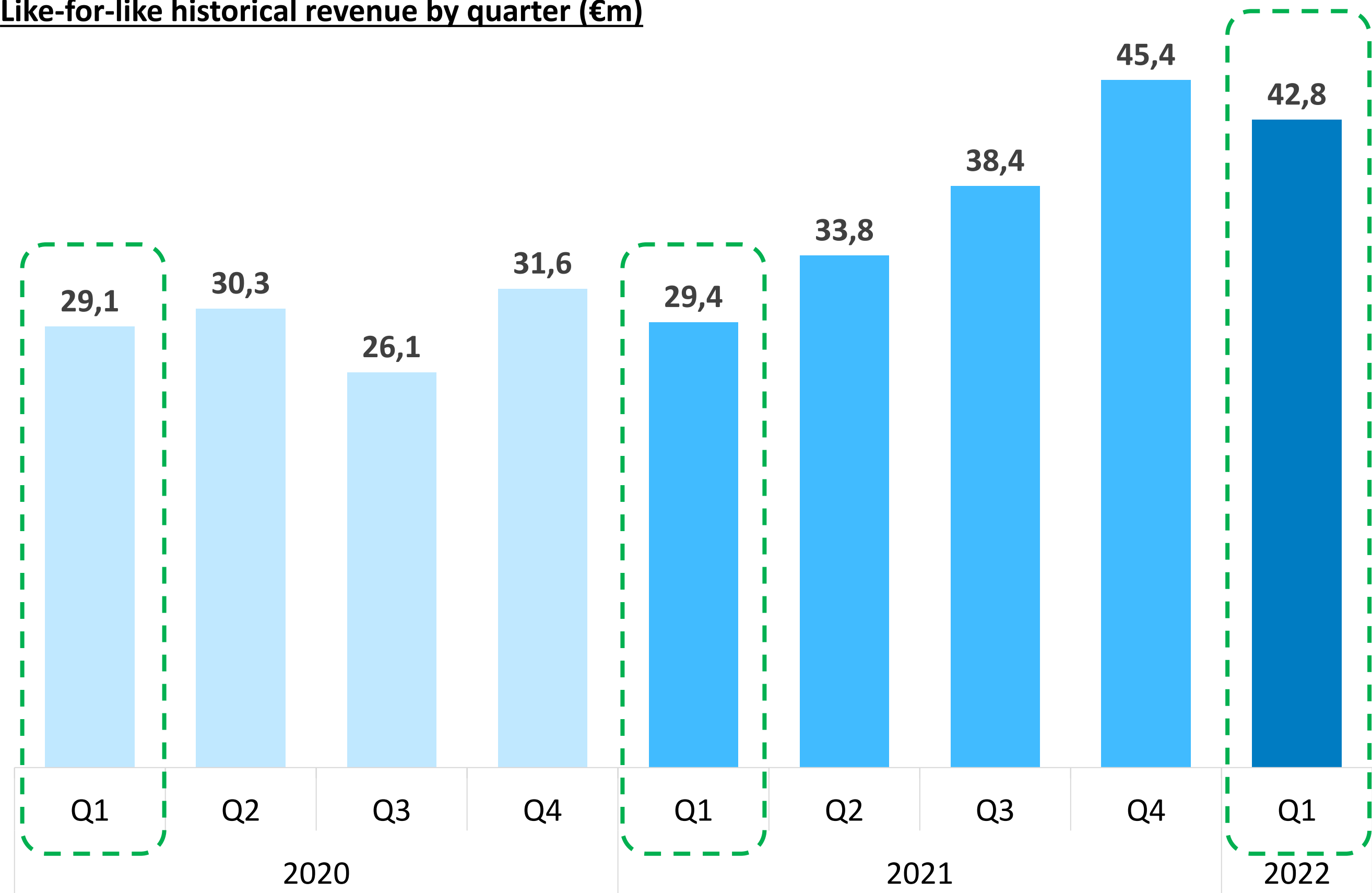


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Net sales

Strong 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

€42,8M

Q1 2022



Quarterly revenue CAGR
(Q1 2020 → Q1 2022)

5%

Like-for-like

7%

Organic



Adjusted EBITDA

€8.6m

Q1 2022 Adj. EBITDA

+€4.0m

Q1 2022 vs. Q1 2021

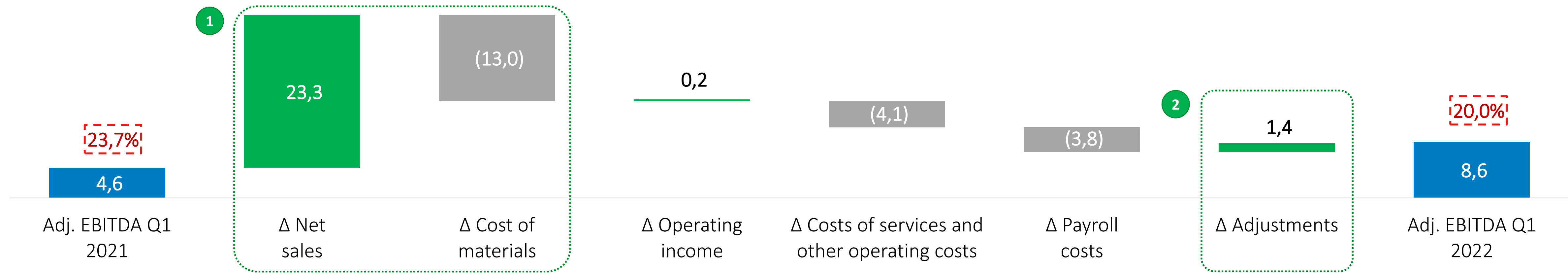
+86%

% growth vs. Q1 2021

20%

of Net sales

Adjusted EBITDA bridge (€m)



1 Gross margin effect

- **+86% growth** vs. Q1 2021 explained by **strong business expansion** in Edge computing and SaaS segments
- Gross margin lower incidence explaining most of the change in Adj. EBITDA %

(Q1 2022 vs. Q1 2021)

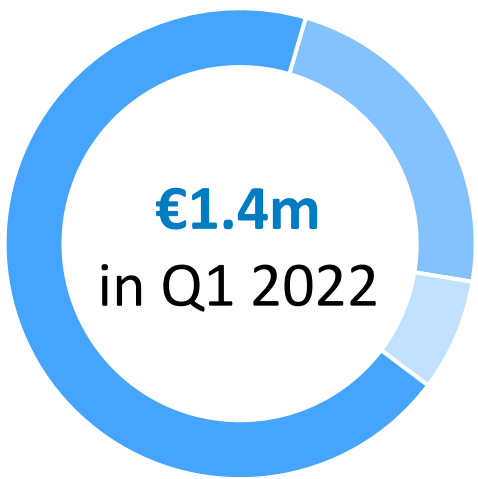
Δ GPM% → -3.6%

Δ Adj. EBITDA% → -3.7%

2 Adjustments

- Q1 2022 EBITDA Adjustments

3 year Stock Option
Plan actuarial value
(non-monetary item)
€0,9m

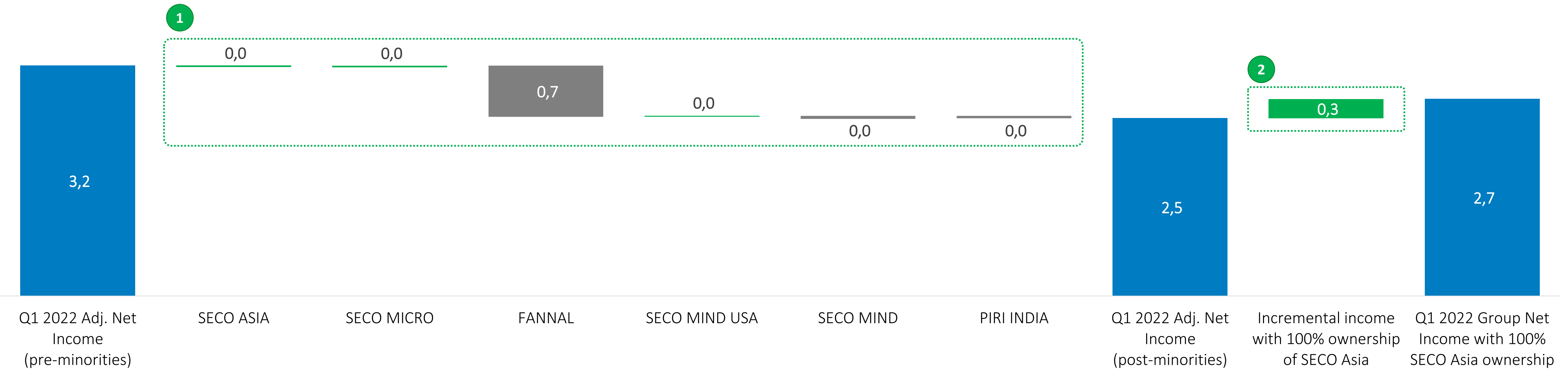


M&A transaction costs
€0,3m

Foreign exchange losses
€0,1m

Adjusted Net Income

Adjusted Net income (€m)



1 Adj. Net income

- D&A: +€1.7m higher vs. Q1 2021, driven also by purchase price allocation (PPA) on G&F customer list
- Financial expenses: +€0.7M higher vs. Q1 2021, largely due to G&F acquisition financing
- Potential upside (taxes calculated with theoretical tax rate)

2 Minority interests

- Minority stakes attributed to key people of some subsidiaries for incentivization purposes
- In Q1 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

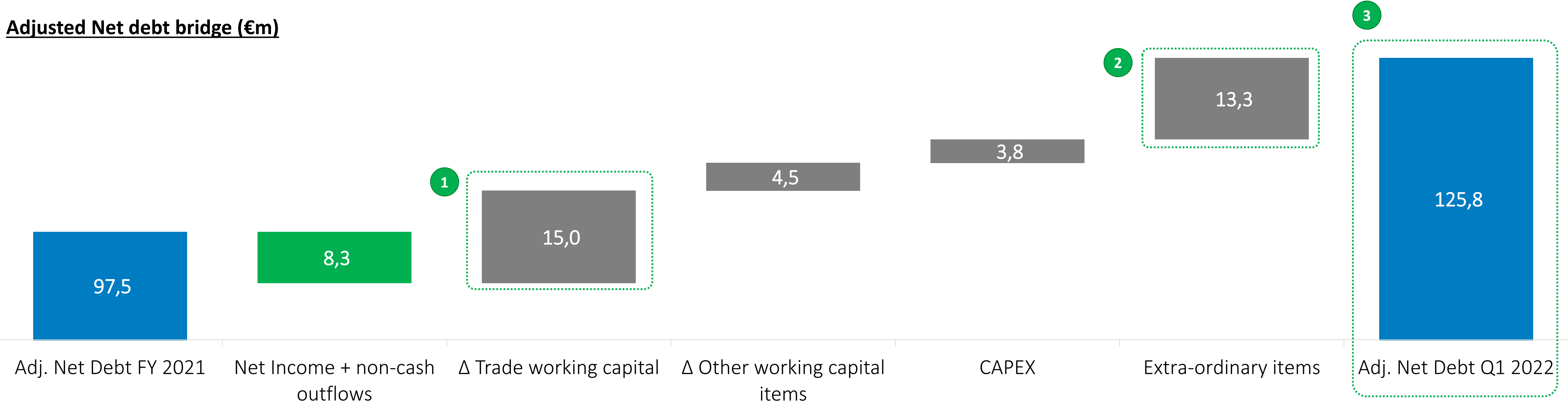
3 Effect of rising to 100% of SECO Asia

- Remaining 49% of SECO Asia, owned by Simest SpA, can be bought by SECO at the Simest SpA entry valuation (~€3,4m)

~€0.3m positive effect on post-minorities Net income after acquisition of SECO Asia minority share

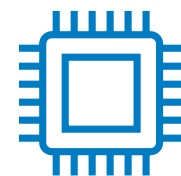
Adjusted Net financial position

Adjusted Net debt bridge (€m)

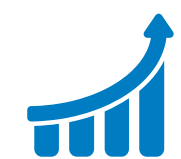


1 Working capital

- ~€15m impact, mainly due to:



Increased inventory (~€12m) to ensure components availability

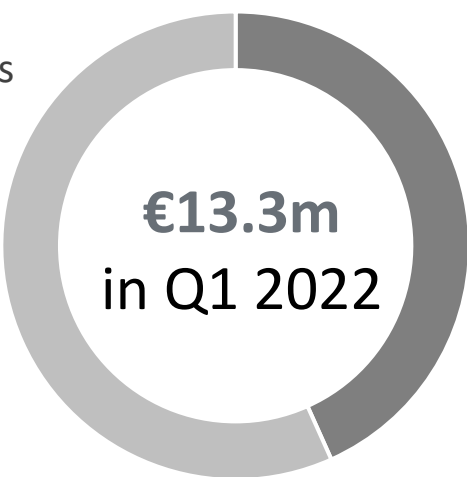


Higher trade receivables (~€4m) to sustain continuing growth of business

2 Extra-ordinary items

- ~€13m impact from extra-ordinary items

G&F M&A transaction costs
€7,5M

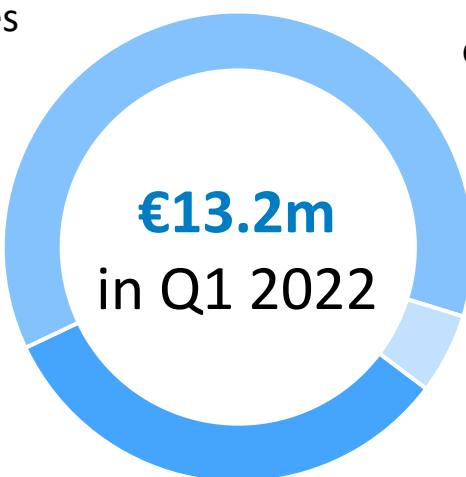


Treasury shares purchase €5,7M

3 Net debt Adjustments

- Q1 2022 Net debt Adjustments

VAT receivables
€4,3m



Lease liabilities ex-IFRS 16 €8,2m

Derivatives €0,7m

Business Update

Leading the next frontier of innovation

A large number of start-ups and software houses will develop **CLEA-based apps** ...

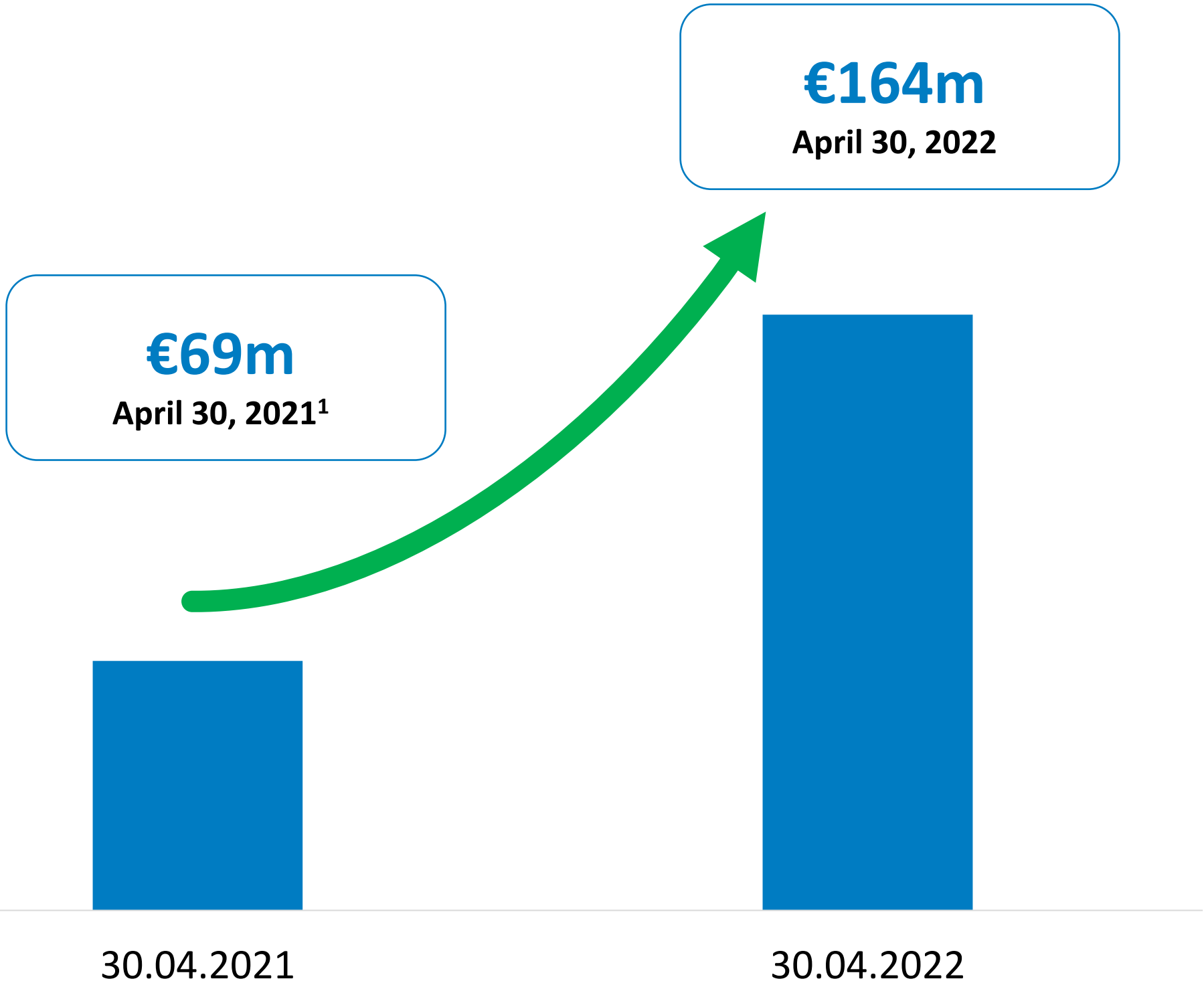
... making them available on the **CLEA app store**



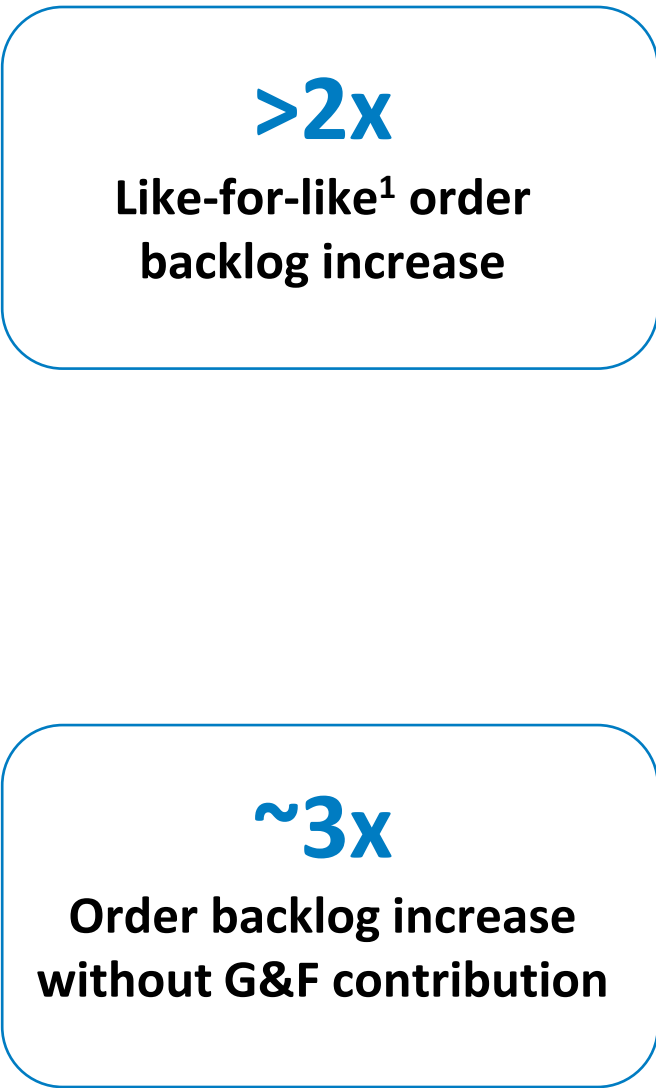
April '22 backlog

Strong visibility on 2022 and 2023 from both historical business and recently acquired companies

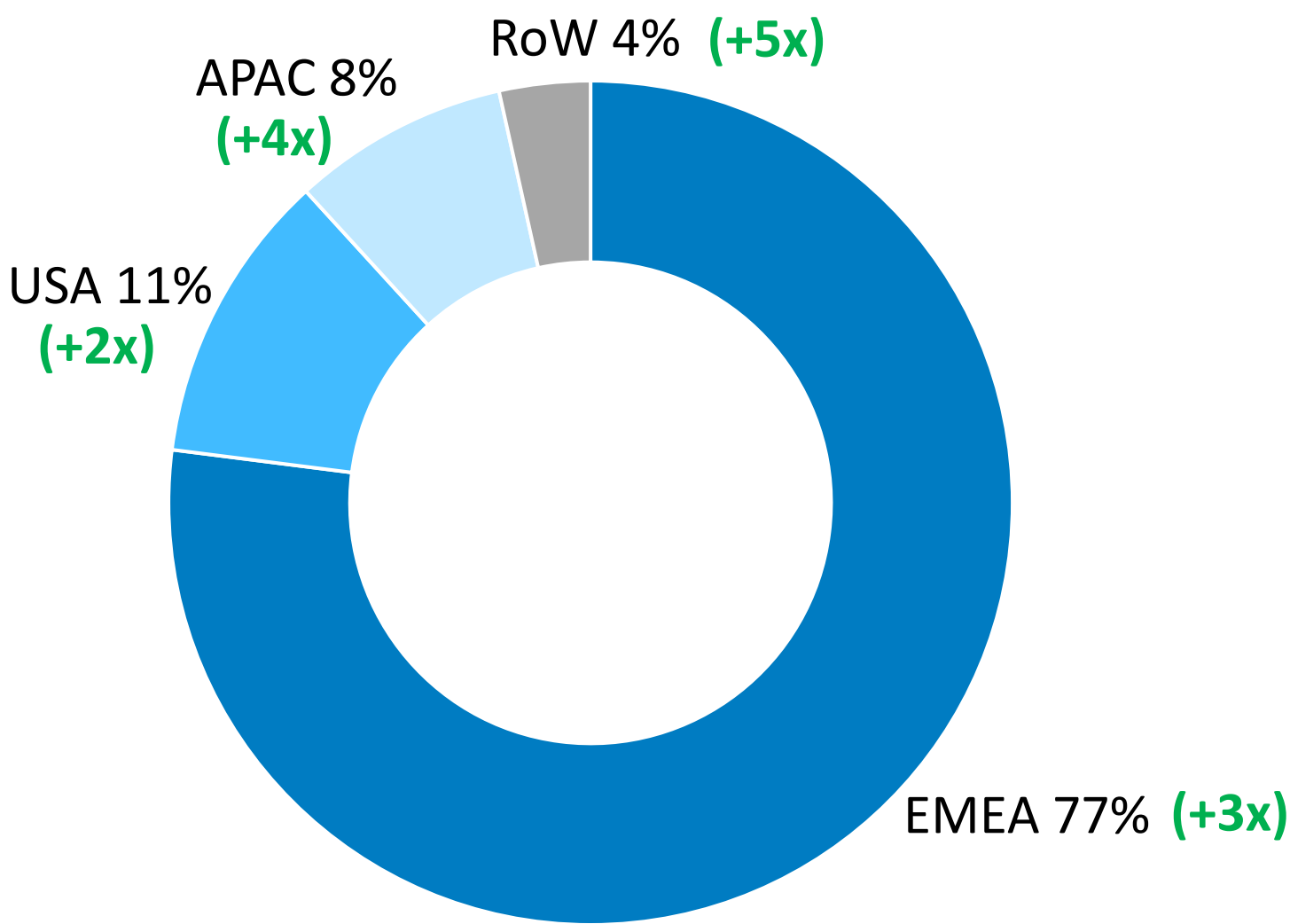
Total Order backlog (€m)



Growth rates (Apr22 vs. Apr21)



Apr22 Order backlog by area



Legend
(±...) % Change vs. Apr. 2021



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¹ Considering also Garz & Fricke Group figures as of April 30, 2021
Note: percentages may not sum to 100% due to rounding

Edge computing business

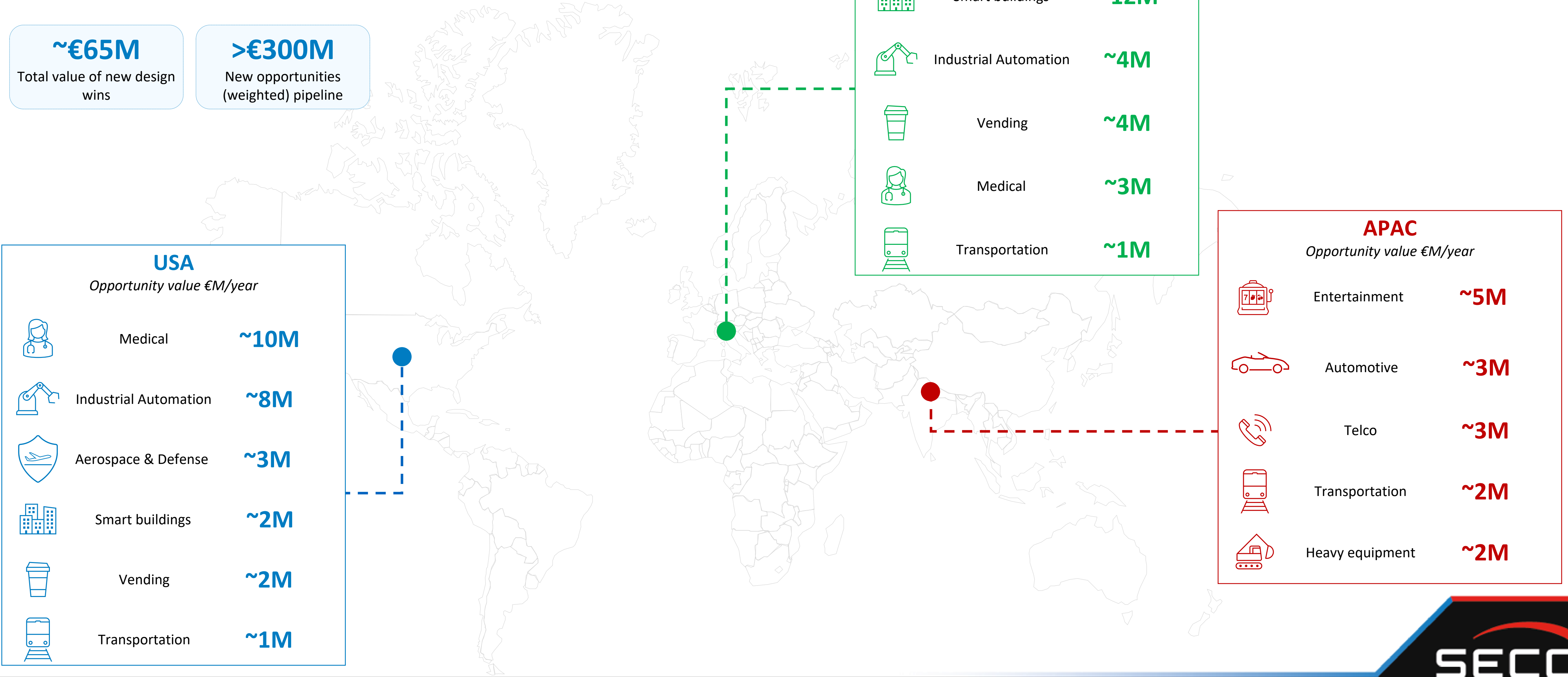
Increasing our presence in new and existing sectors

~€65M

Total value of new design wins

>€300M

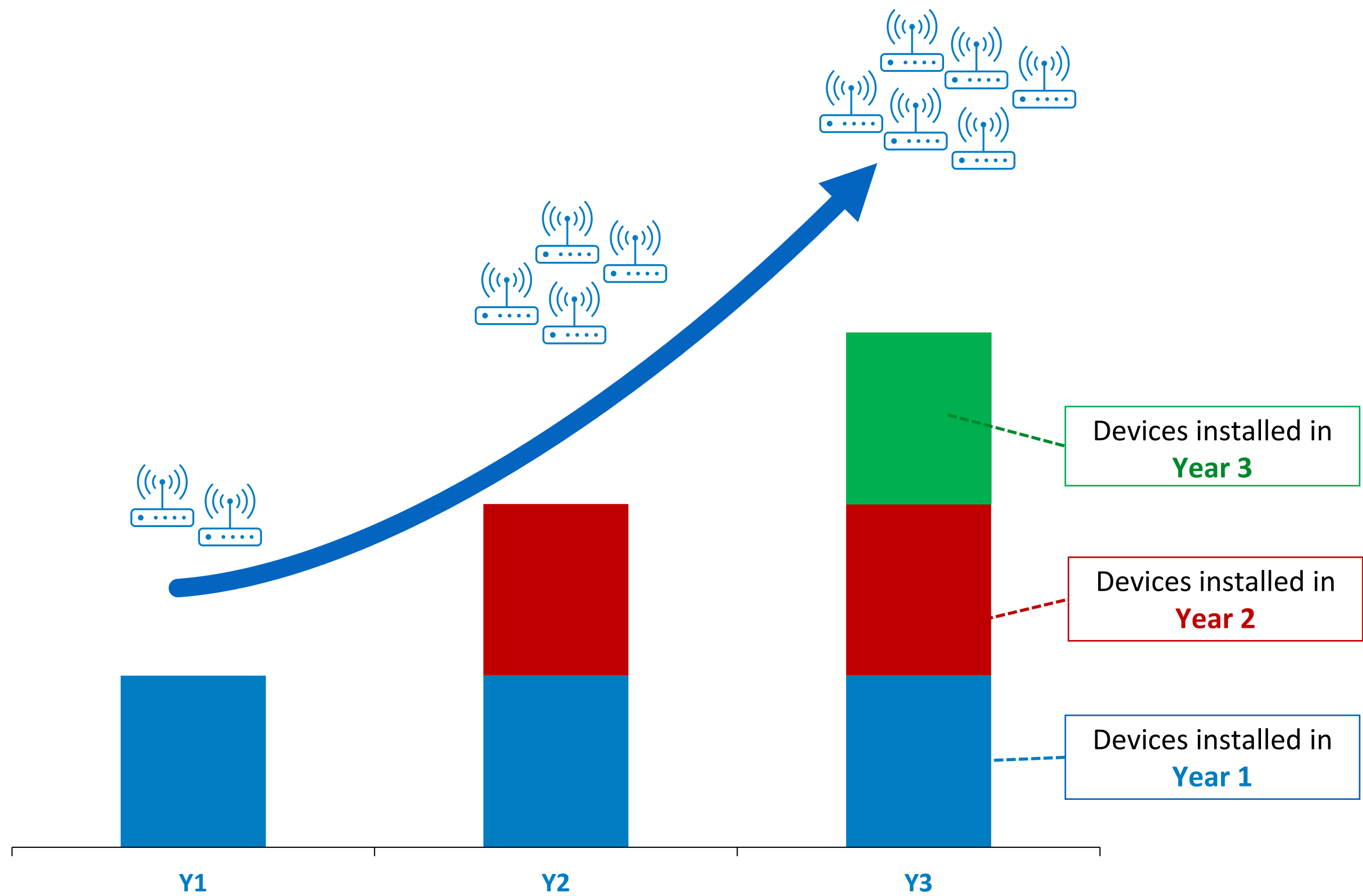
New opportunities (weighted) pipeline



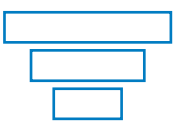
SaaS business

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

Recurring and incremental business model...



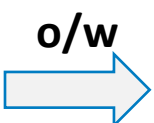
...being adopted in a larger number of sectors



Pipeline in continuous expansion

500k+
devices

Current pipeline, with opportunities in several fields of application



250k+
devices

Under contractualization



New projects starting every quarter

>10

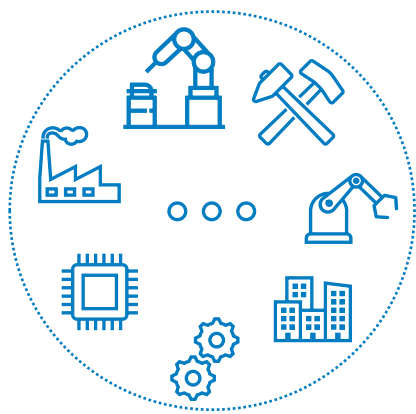
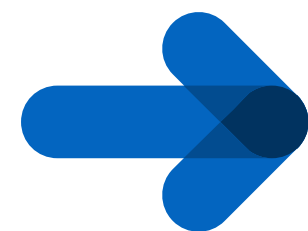
New CLEA projects opened in the last month
(**60%** of which in USA)



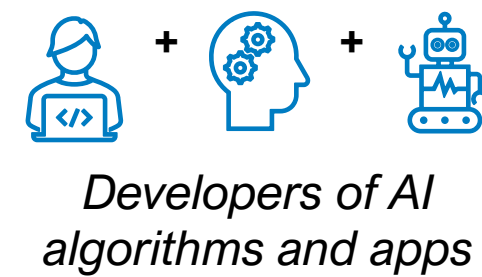
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SECO-Camozzi Digital industrial partnership

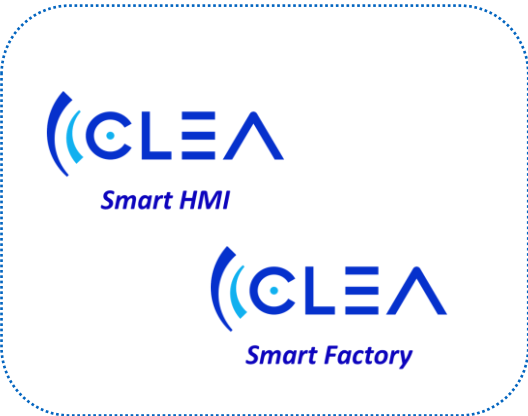
A fast track to the App Store made by SECO



- Benefit from the **unique Industrial competences of Camozzi Group**
- Leverage a portfolio of **ready-to-use apps and algorithms**, a rapid expansion of CLEA applications for the Industrial market



Developers of AI algorithms and apps



- Camozzi Digital will transfer a business unit, becoming a **reference shareholder** of SECO
- Launch of **CLEA Smart HMI** and **CLEA Smart Factory**, 2 new versions of CLEA for the Industrial world

SECO-Camozzi Digital partnership in numbers

>90

Ready-to-use apps to be integrated into CLEA

>3yr.

Time-to-market acceleration of SECO IIoT SaaS offering

Cumulated incremental SaaS revenue expected in 2023-25

~€50m

o/w ca. €14M already in 2024

€3.6m

CLEA licenses to be purchased by Camozzi Digital

~€5m

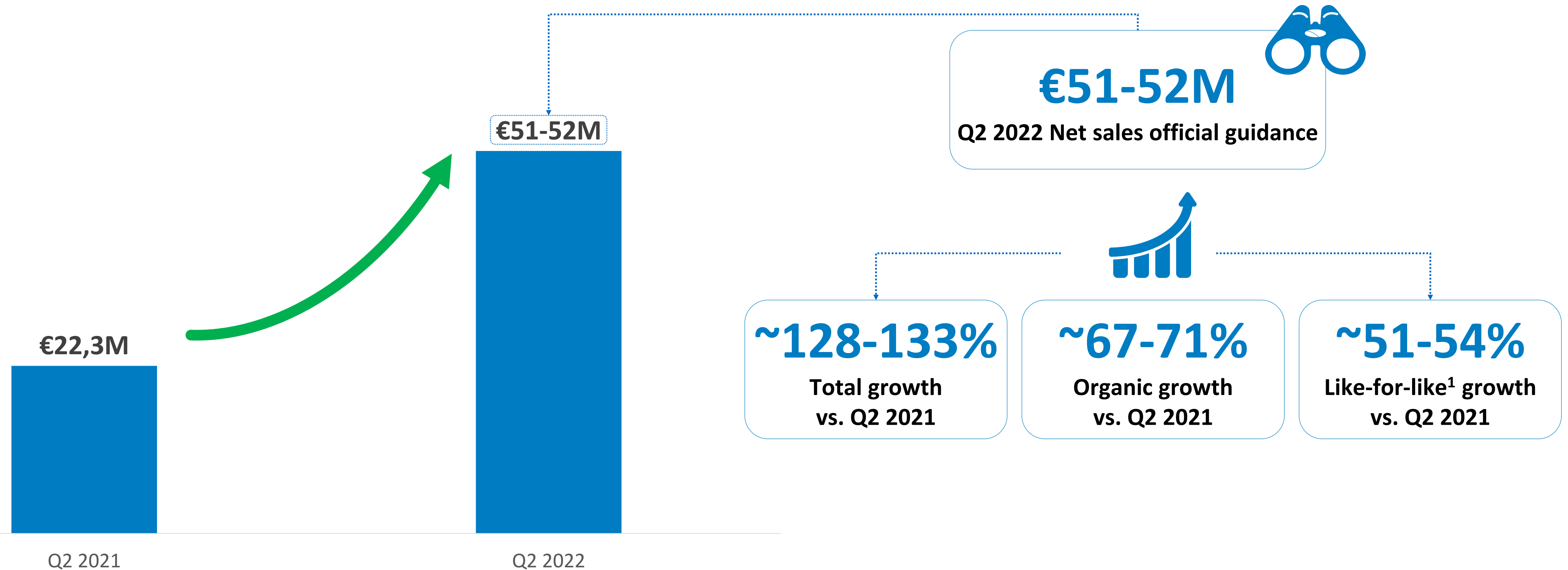
Edge computing (HMI) sales to Camozzi



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Q2 2022 official guidance

Organic growth expected to continue also in Q2 2022



¹ Considering the results of the Garz & Fricke Group from April 1, 2021

Final remarks

An innovative strategy to continue creating value for our shareholders



SaaS business (CLEA + App) transition
as a **game changer** for SECO and its
customers



Market leader
in the IoT-AI space



€400m+ Revenue (2025 target)
from strong organic growth



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Q & A



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ANNEX

Financials overview

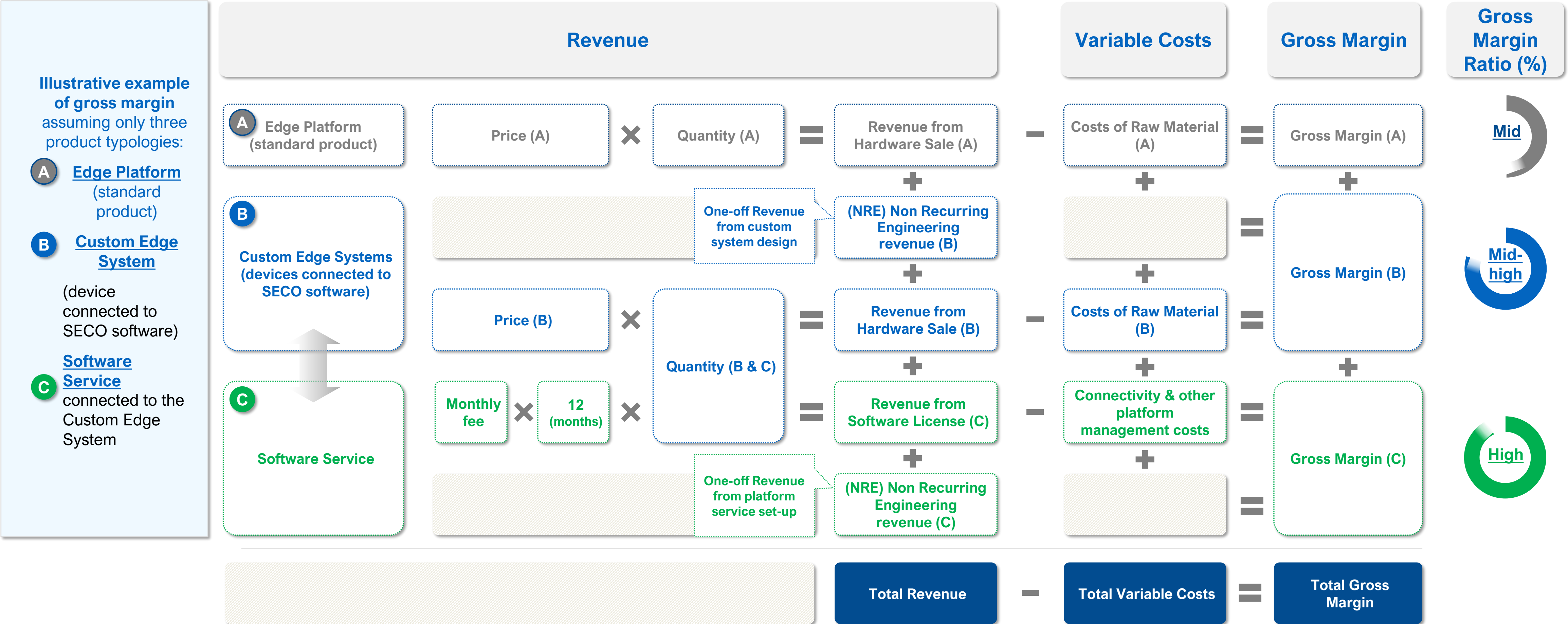
Income Statement

€mln	Q1 2021	Q1 2022
Net Sales	19,4	42,8
Consumption Costs	(9,6)	(22,6)
Gross Margin	9,8	20,1
% on Net Sales	50,6%	47,0%
Other revenues	0,8	1,0
Personnel costs	(4,4)	(8,2)
Other Opex	(2,0)	(5,6)
Exchange gains/losses	0,2	(0,1)
EBITDA	4,5	7,2
% on Net Sales	23,3%	16,9%
EBITDA ADJ	4,6	8,6
% on Net Sales	23,7%	20,0%
Depreciation	(1,4)	(3,2)
EBIT	2,9	4,1
% on Net Sales	14,7%	9,6%
Financial expenses	(0,1)	(0,8)
Tax	(0,8)	(1,0)
Net Income	2,2	2,2
% on Net Sales	11,4%	5,2%

Balance Sheet

€mln	FY 2021	Q1 2022
Net Working Capital	52,5	79,2
Total Fixed Assets	233,3	234,0
Other non-current assets	3,1	3,2
Provisions and other non-current liabilities	(16,4)	(16,4)
Net Invested Capital	272,5	299,9
Net Financial Position	109,5	139,0
Net Financial Position ADJ.	97,5	125,8
Total Equity	163,0	160,9
Total Funds	272,5	299,9

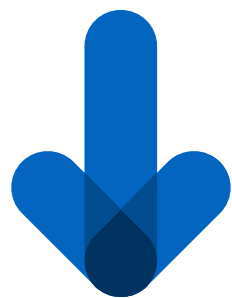
Revenue and cost model



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

Business model

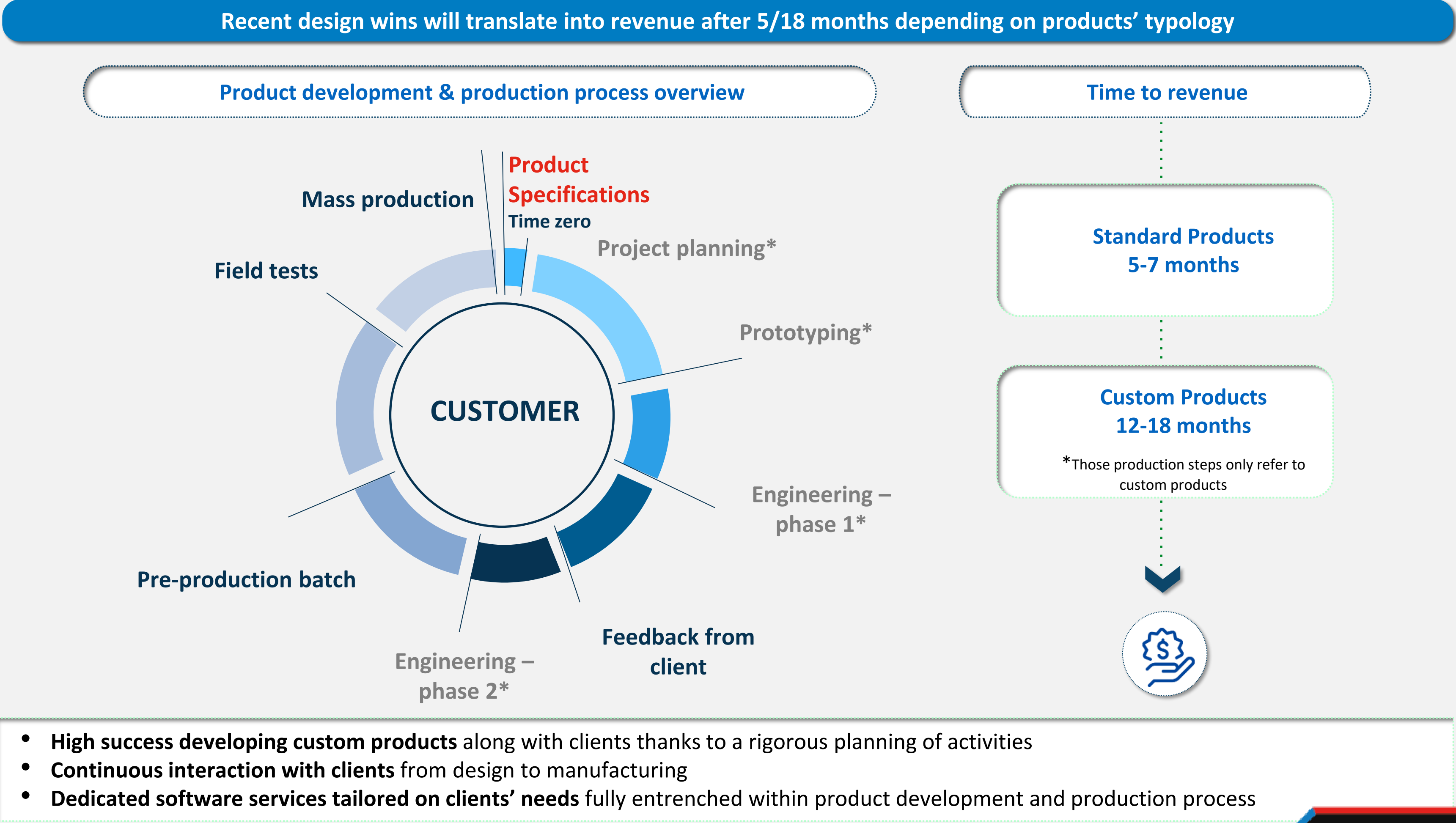
High revenue visibility



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



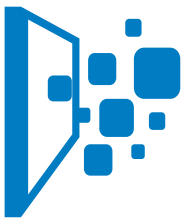
SECO at a glance

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



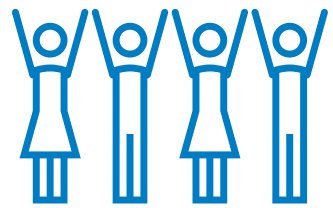
€200M

2022 FY expected revenue

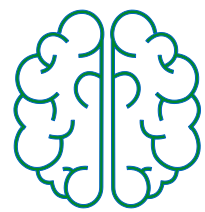


~900k devices

manufactured every year



>800 people



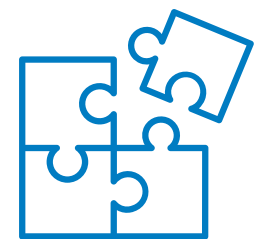
250+ R&D people

of which ~150 in AI algorithms development



~ 8-10%

of revenue invested in R&D every year



9 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.



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.



15+ years

Angelo Peloni
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).



~1 year

Angela Lepore
Group HR Director

15+ years of experience in HR management in multinational and international companies.



6+ years

Massimo Mauri
CEO

20+ years experience as executive in several Tech companies. Strong experience in IPO and M&A transactions.



3 years

Alessandro Hong
CEO SECO China

Serving also as CFO of Fannal Electronics. Strong corporate finance and M&A background.



~1 year

Stefan Heczko
CEO SECO Northern Europe

Previously CEO of Garz & Fricke GmbH. 10+ years experience as executive in industrial companies.



15+ years

Gianluca Venere
CIO

10+ years experience in business development, sales, innovation and internationalization for SECO Group.



2 years

Lorenzo Mazzini
CFO

Served as CFO in several public and private companies. Strong experience in IPO and M&A transactions.



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+ year experience in high-tech, IoT and AI. Former executive in Google, Cisco, Qualcomm, Motorola.

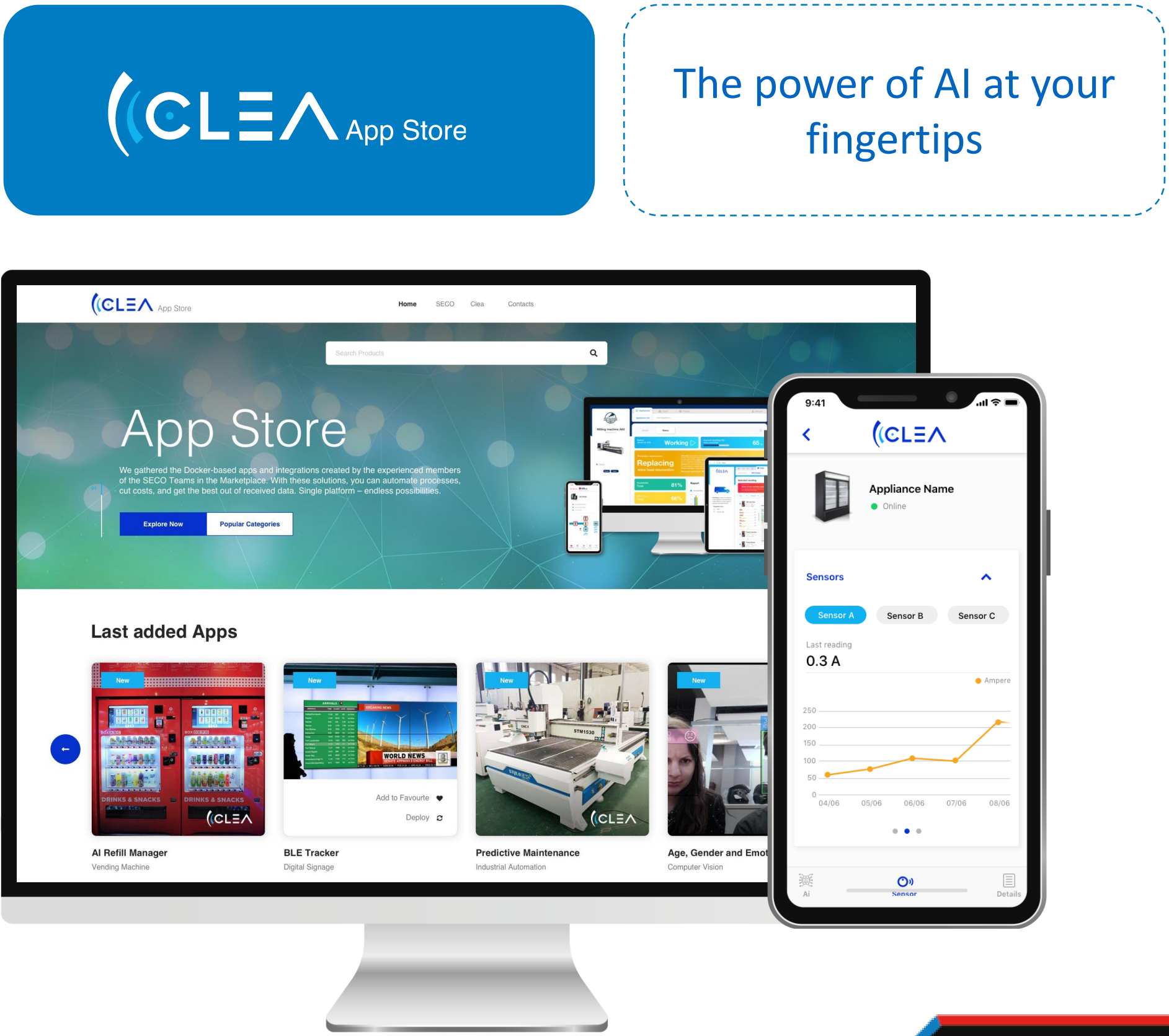
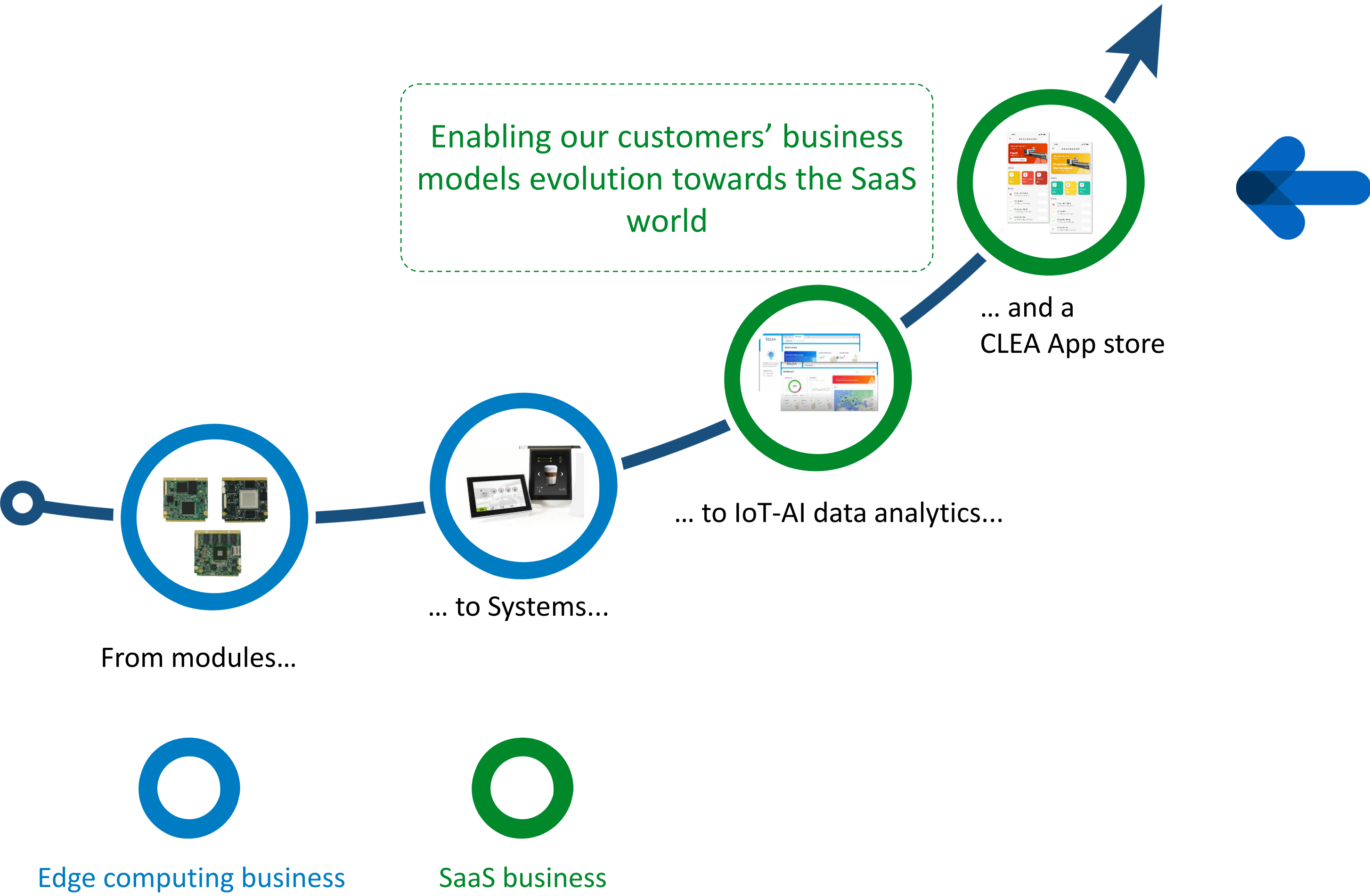
years



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SECO at a glance

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



CLEA: the value of AI

The people of SECO Mind



We are an AI as a Service Company.

Our vision is to **augment the abilities of machines and people** by using **AI everywhere** computing takes place.

~150
People

Silicon Valley, India,
Italy, Germany & Brazil

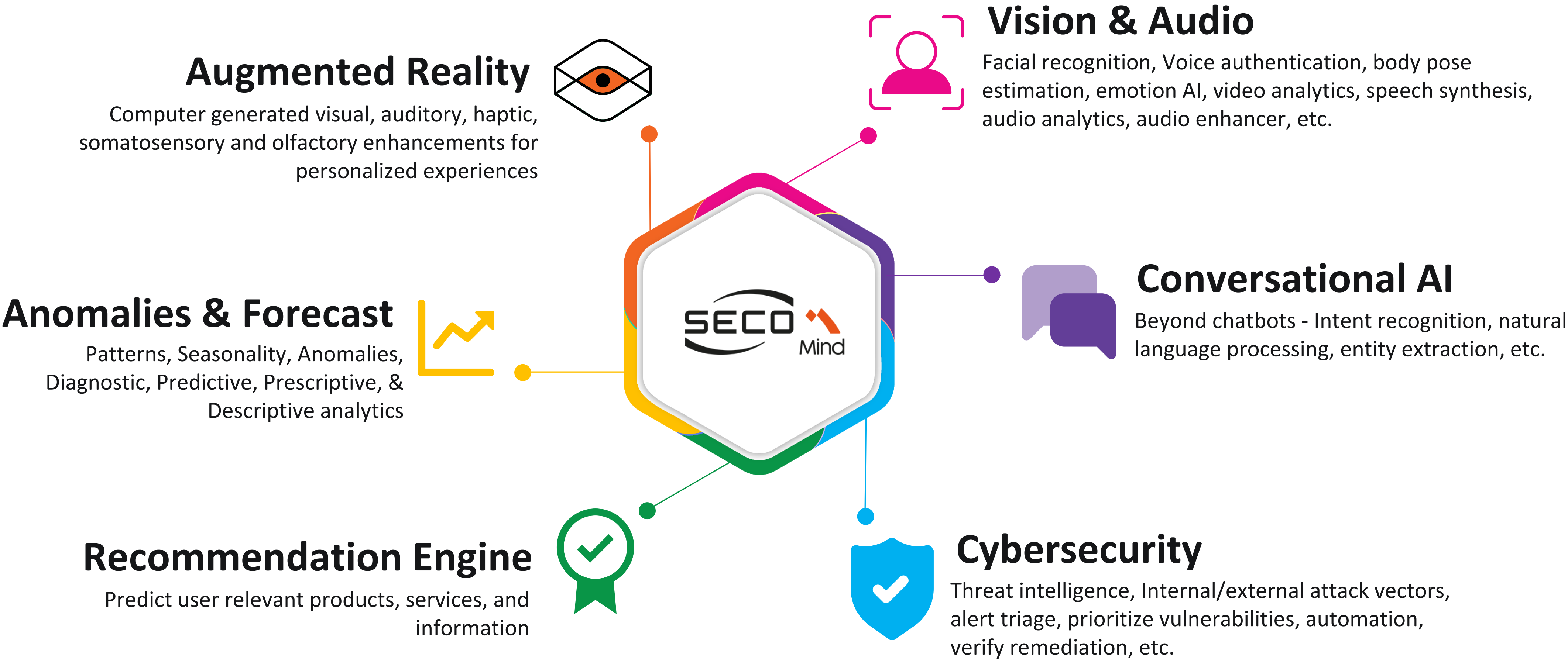
Neuroscientists, Data scientists, Software
Engineers, Hardware Engineers, and Cloud SREs



Endless ways to the future

CLEA: the value of AI

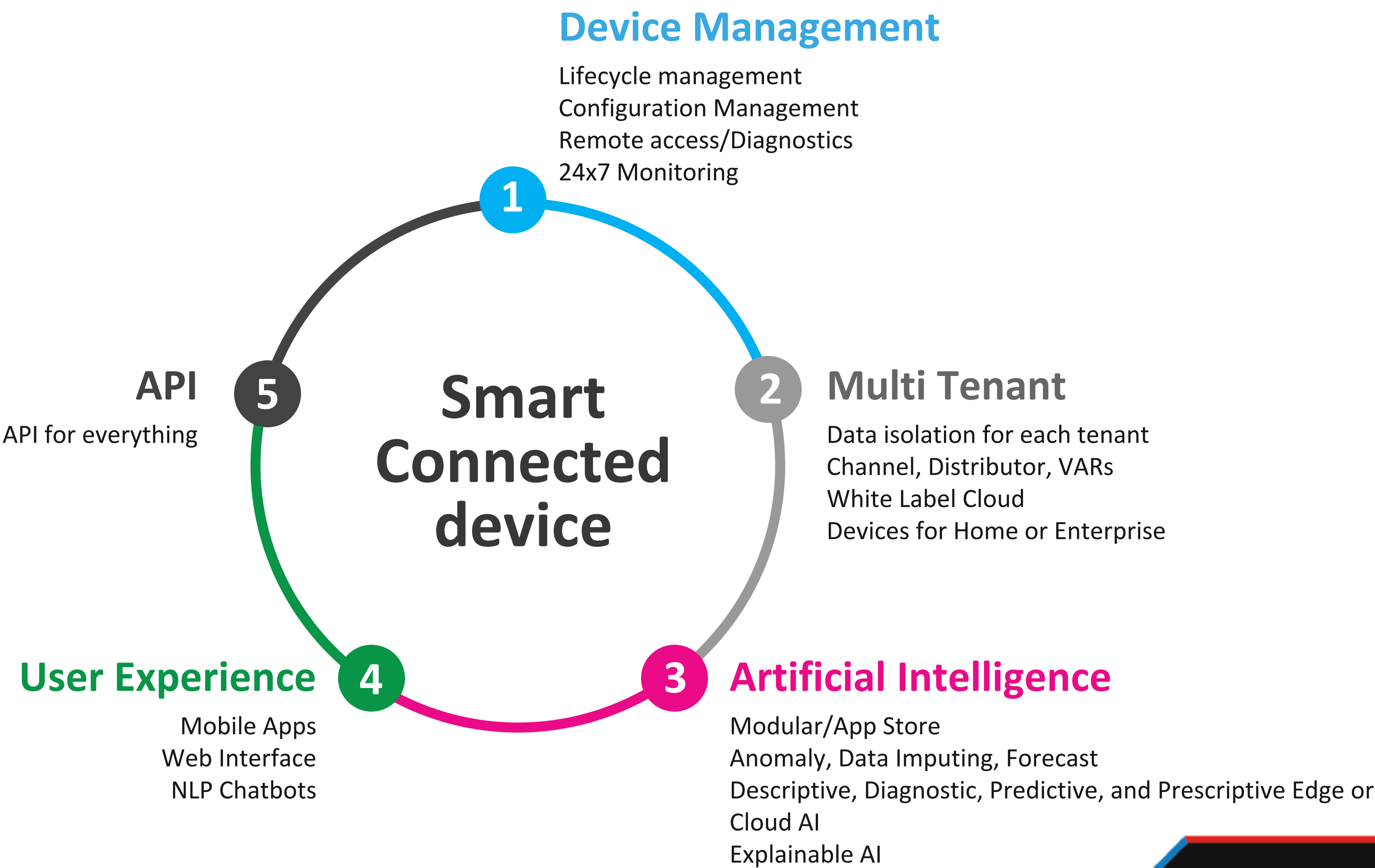
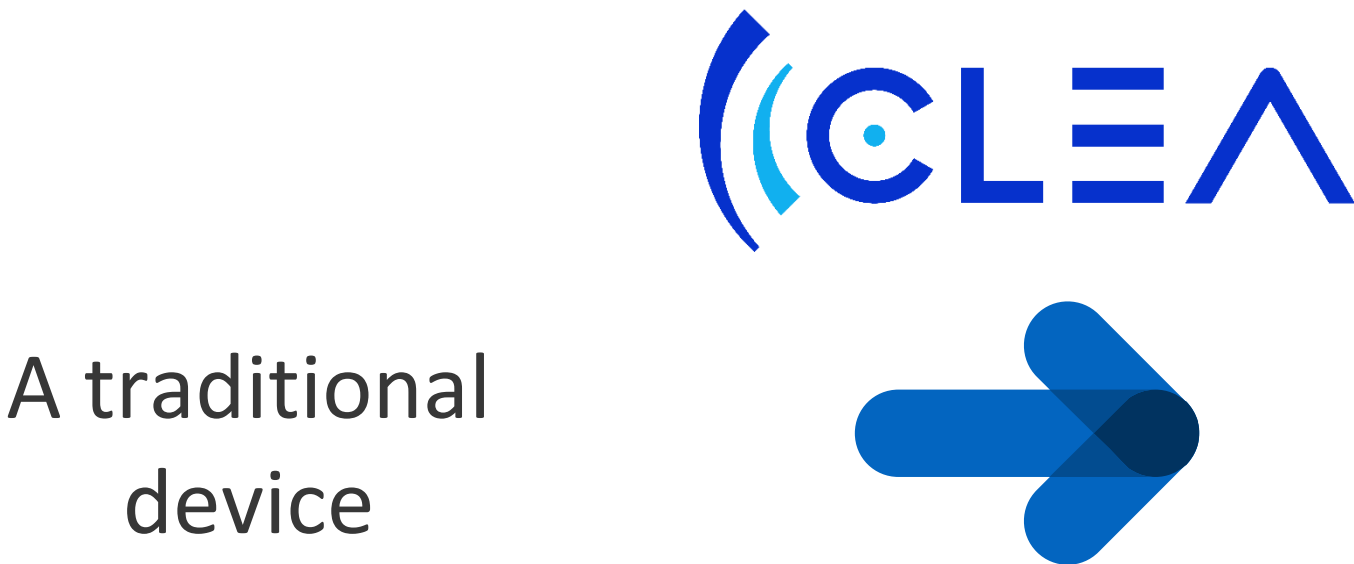
Our AI capabilities



CLEA: the value of AI

Run AI anywhere: it's easy!

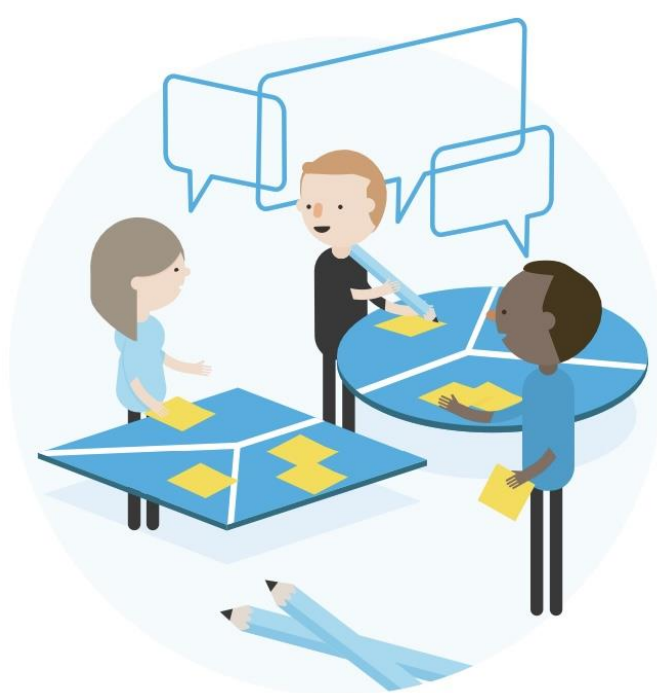
Make any device an intelligent connected device



Vertical Applications of CLEA

Products & Services Value Proposition

SECO Service Design
Consulting for AI & IoT solutions



Technology Push

Market Pull

Turning Technology into a Viable Business

Value for Your Customer and Your Business

Fast Time to market
Accelerate customers' go to market strategy

CLEA for customer's cost reduction:
Support optimization
Predictive maintenance
Refill optimization

CLEA enables a new business model for our customers:
Subscription Revenues
Recurring Revenues
Transform a technology (innovation) into a fashionable trend.

CLEA Apps
For Vertical Markets

Reinvent value proposition and business model by shifting from products to services

Minimizes risk of failure
Helps create products and services people want
Deliver what customers want
Develop services around device



Win-win

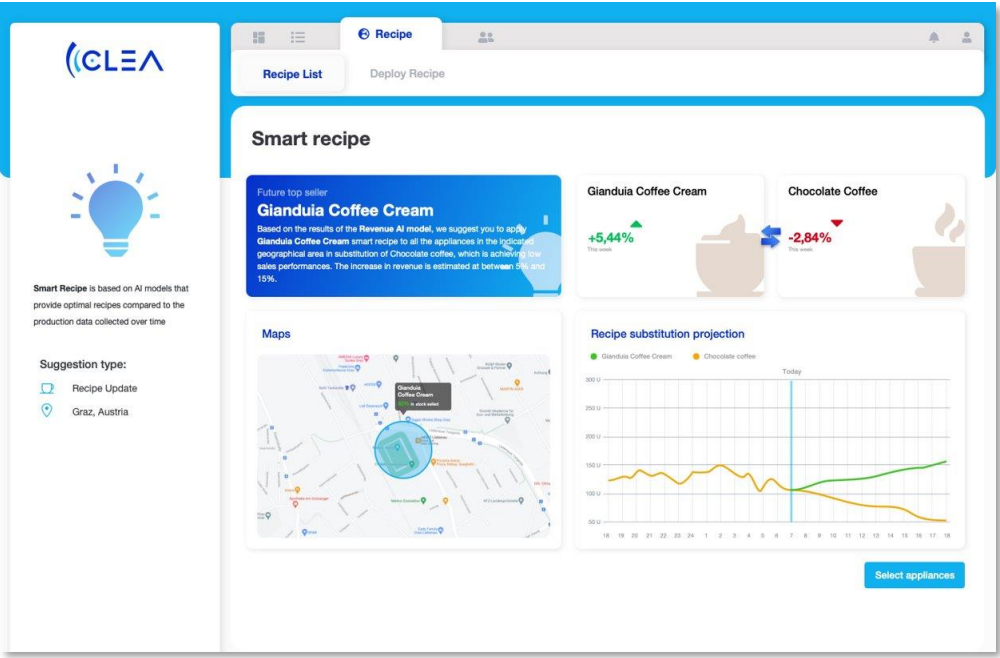


Endless ways to the future

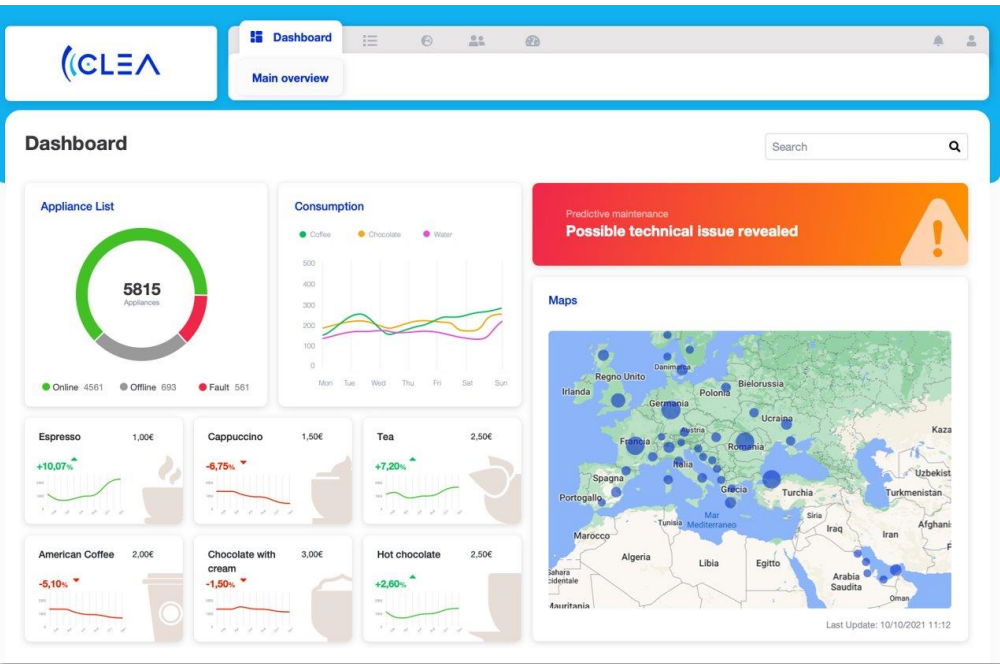
Vertical Applications of CLEA

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

CLEA Vending Machine Apps



Recipe Sales Trends Analysis App

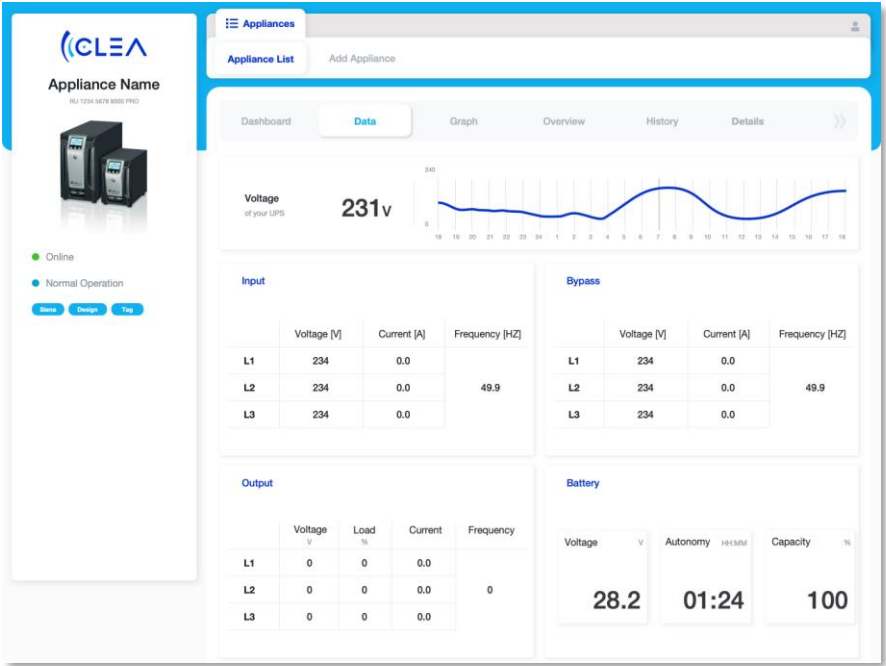


Fault Detection & Machine Downtime Reduction

AI Smart Refill

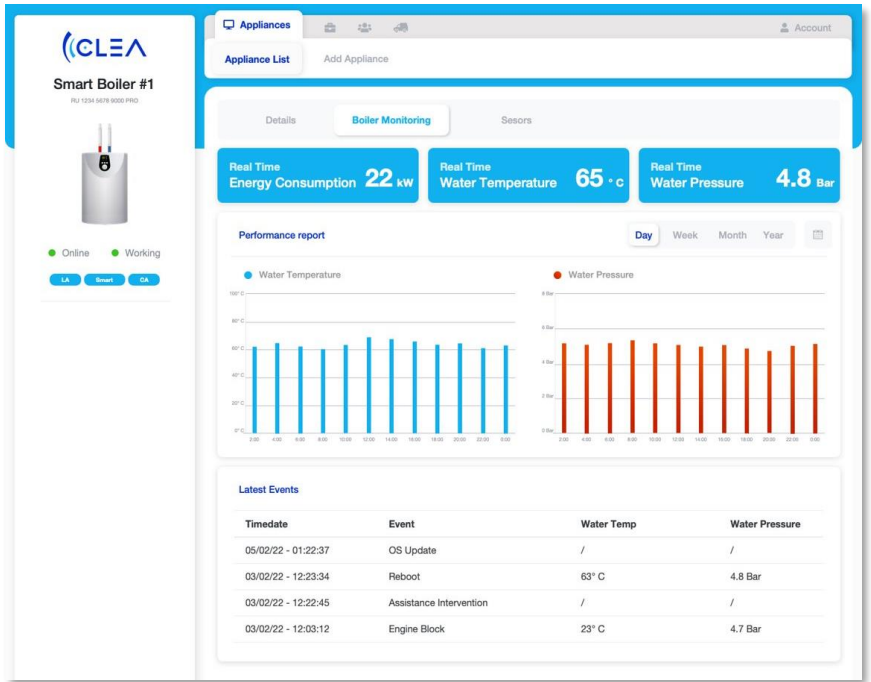
Landing Page

CLEA UPS App



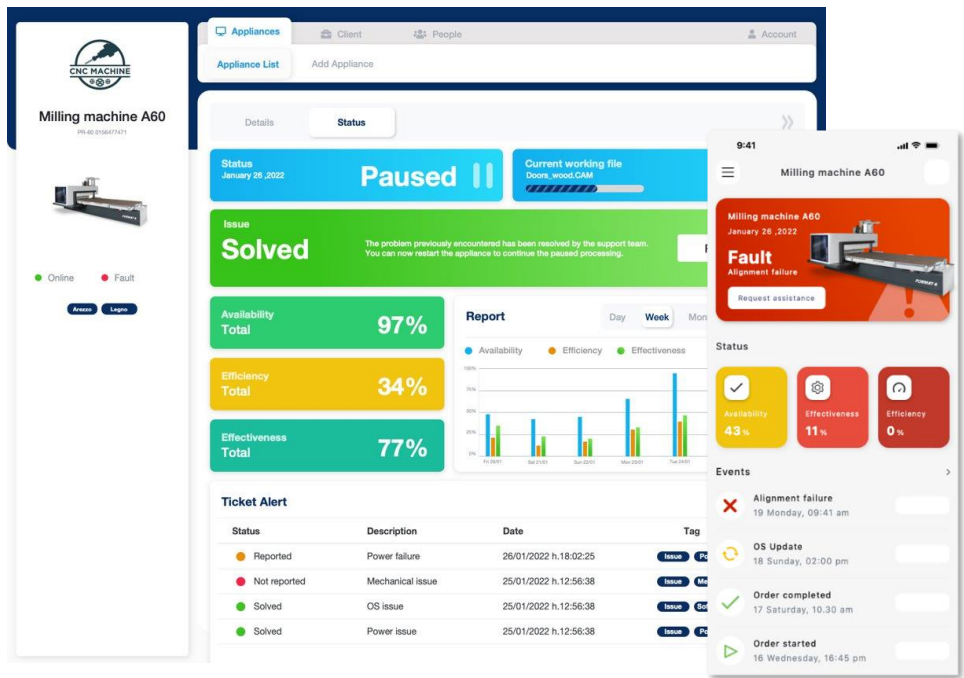
UPS Management

CLEA Boiler App

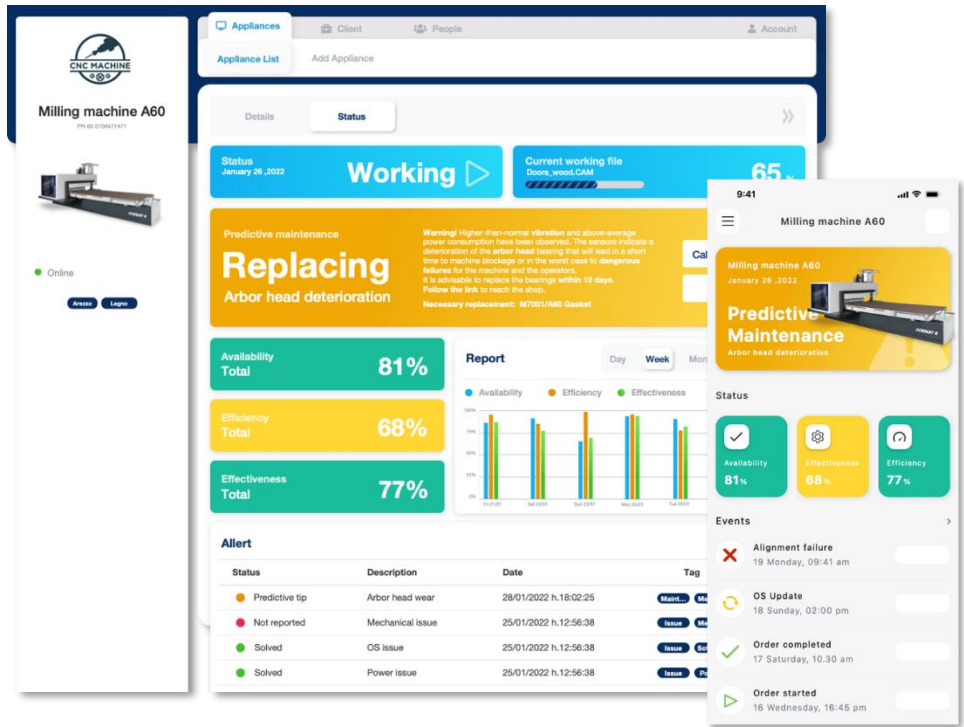


Boiler Predictive Maintenance

CLEA for Industrial Apps

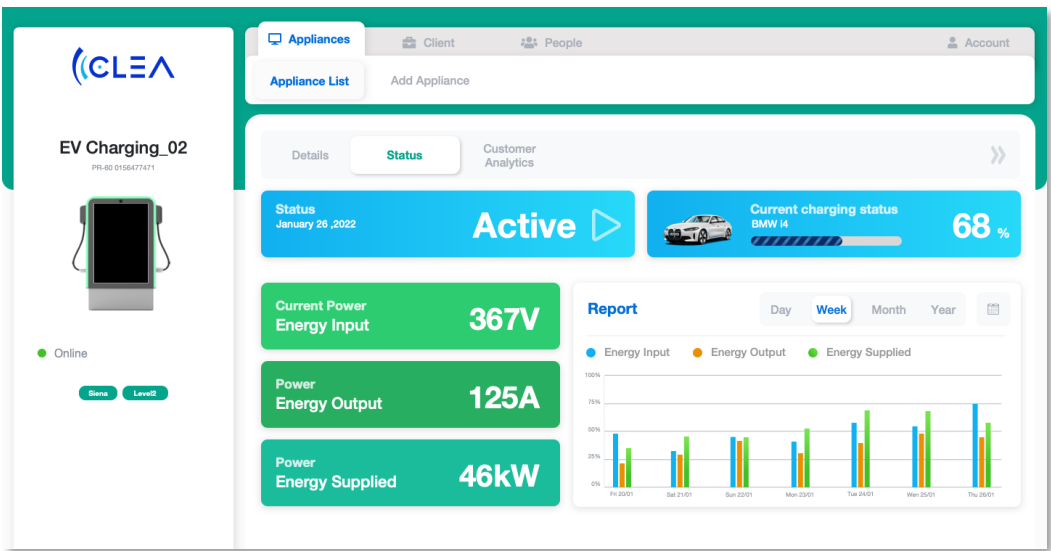


AI Remote Assistant



Predictive Maintenance

CLEA AI EV Charging Station Apps



AI Remote And Predictive Assistant

CMS for Digital Signage

Landing Page

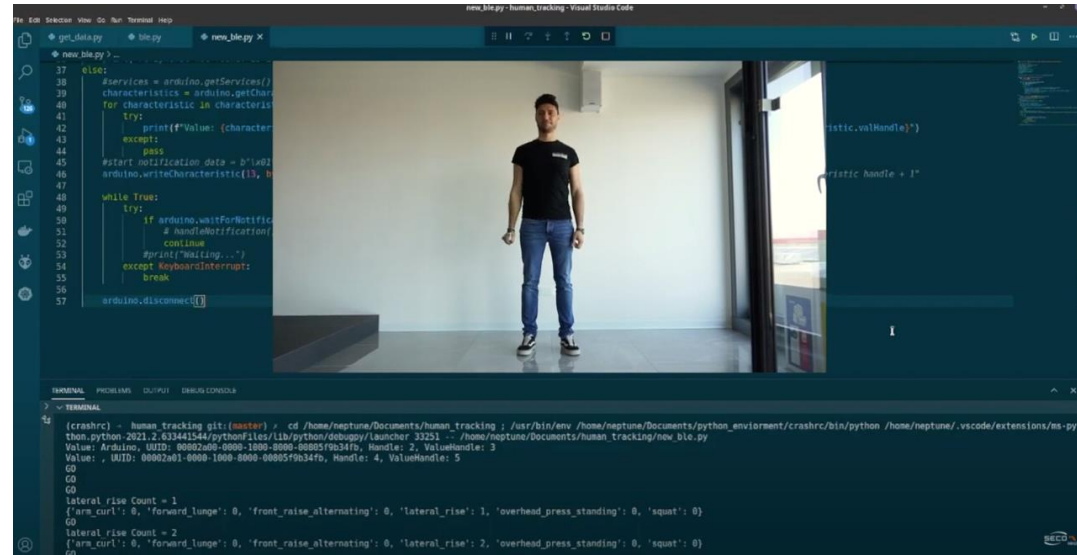


Endless ways to the future

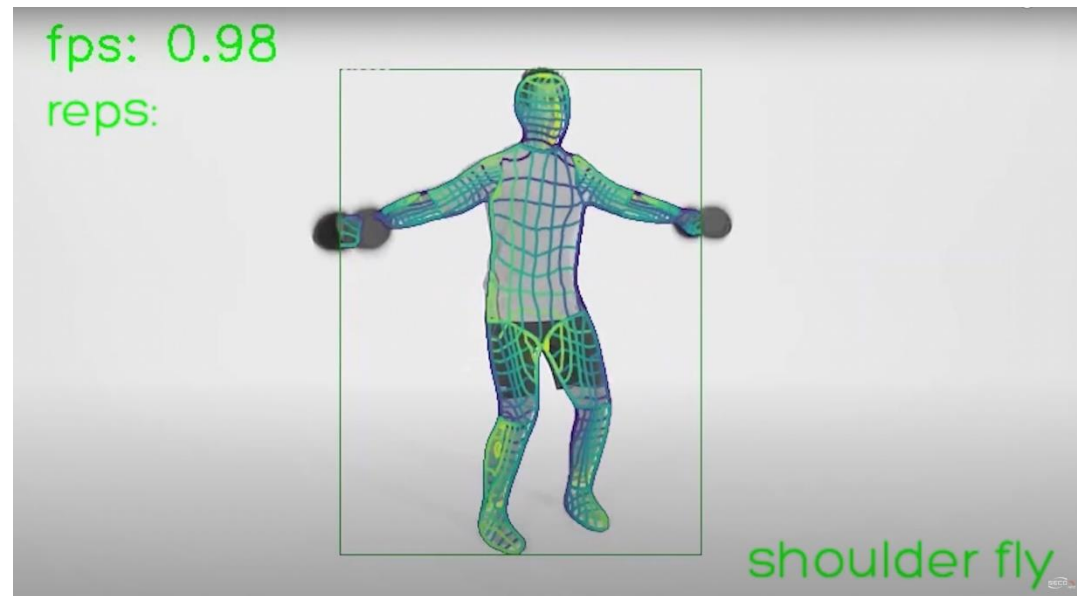
Vertical Applications of CLEA

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

CLEA Fitness App

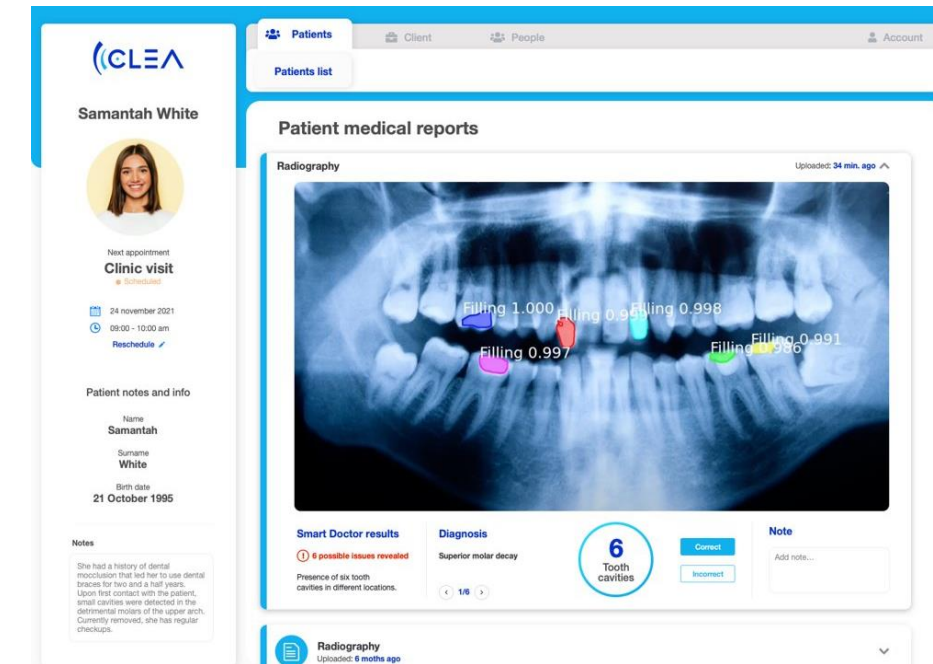


Smart Dumbbell



Exercise Recognition & AI Personal Trainer

CLEA Healthcare App



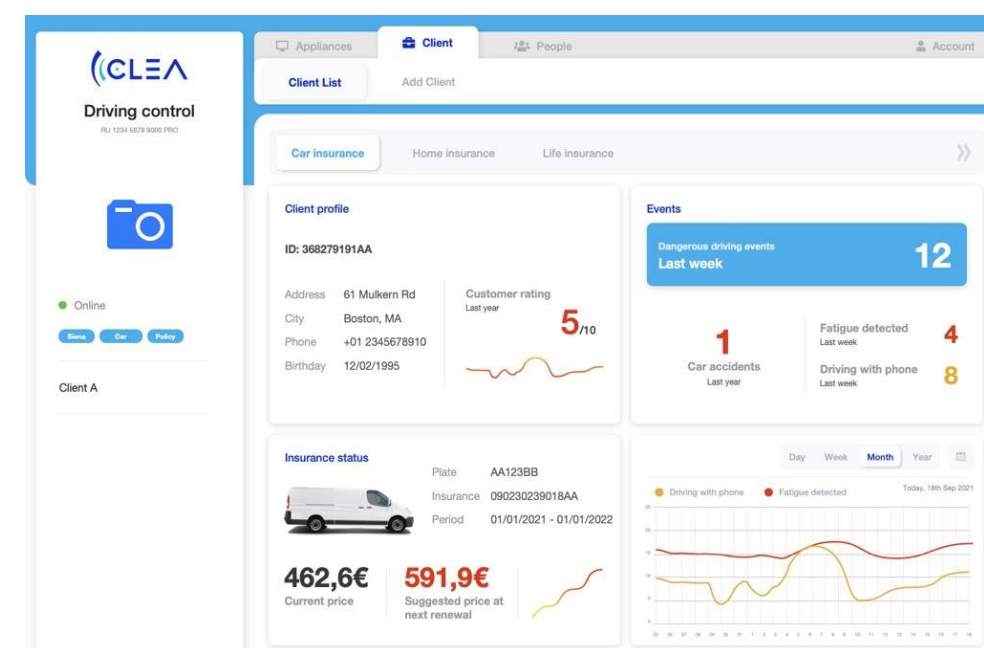
AI Tooth Cavity Detection App

CLEA for Smart Cities

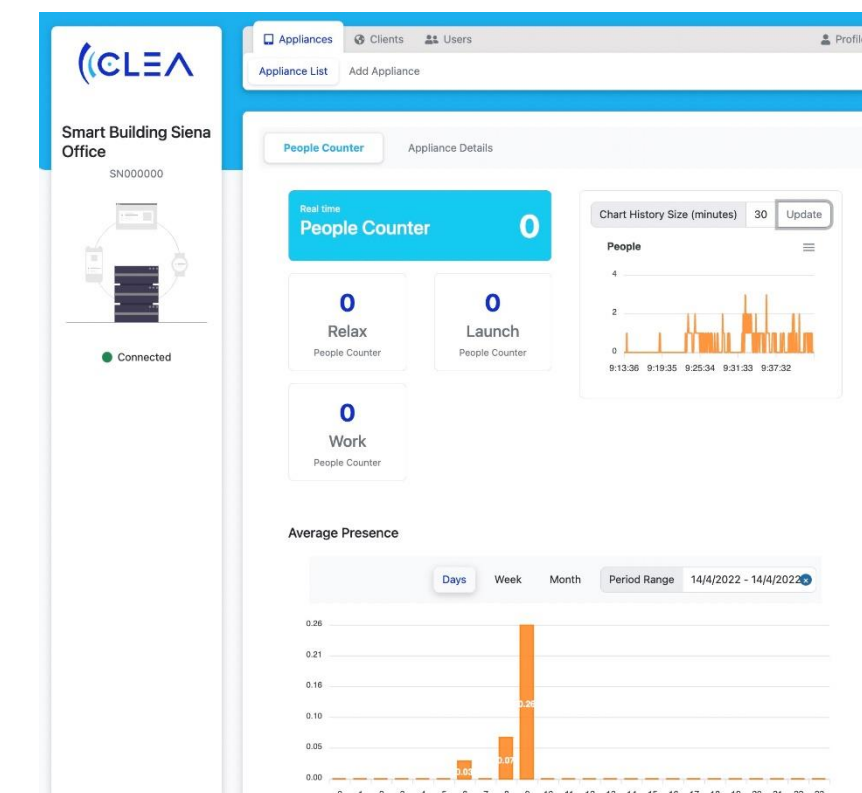


BLE Audience Analysis

CLEA Automotive App

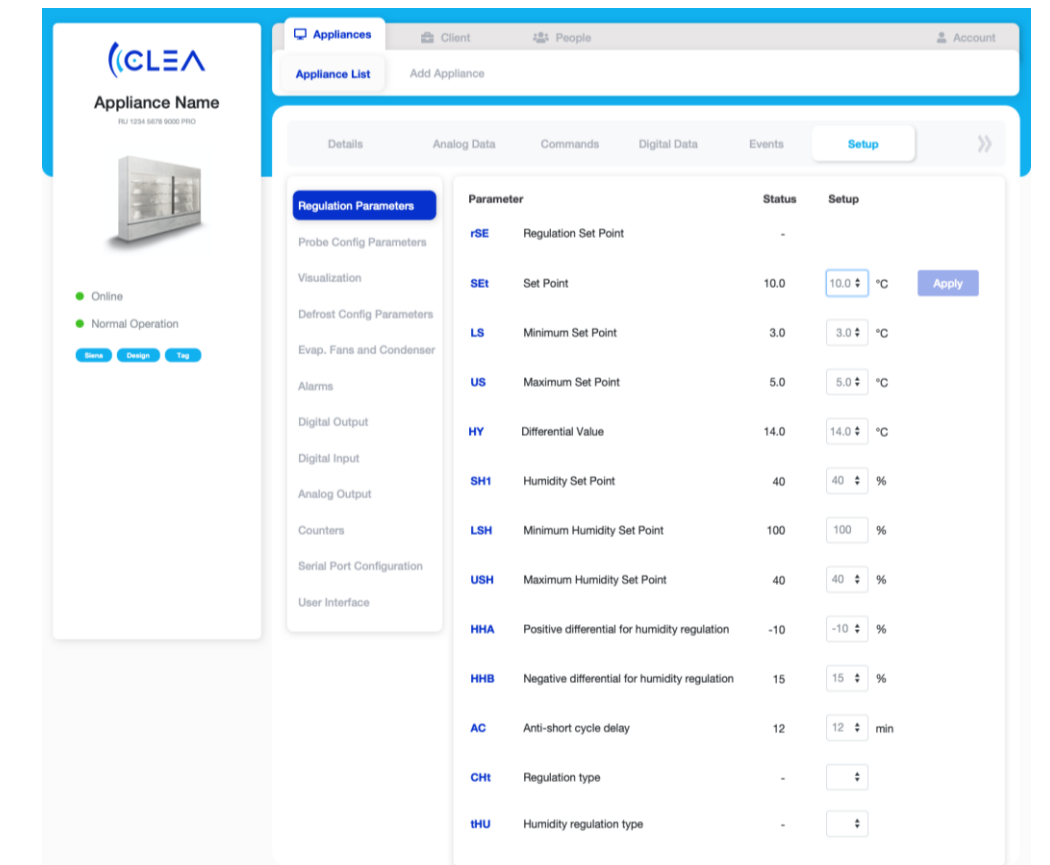


AI Driver concentration App



People Counter and Tracking

CLEA Refrigeration App



Remote Setup and Management



Endless ways to the future

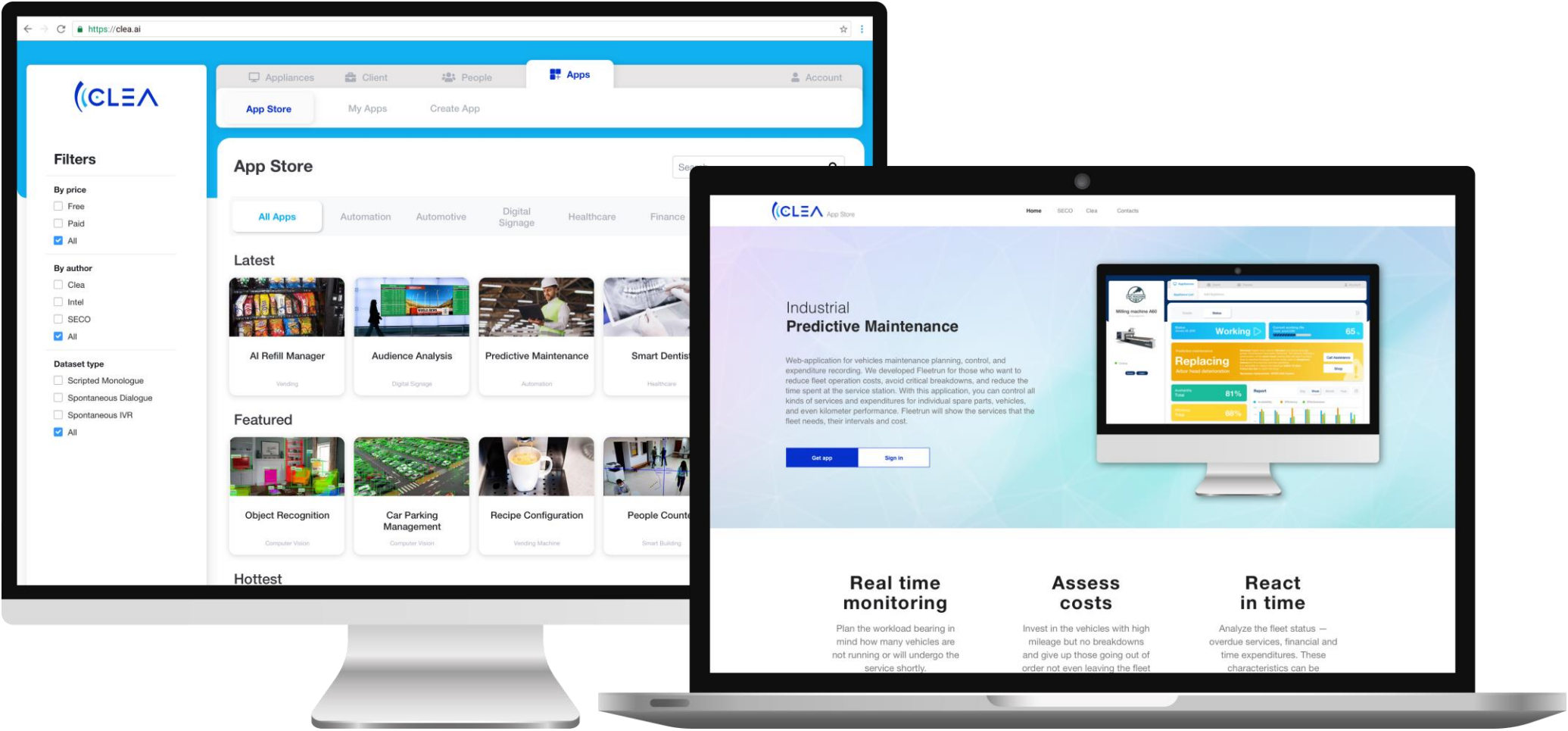
An innovative strategy for a long-term growth path

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



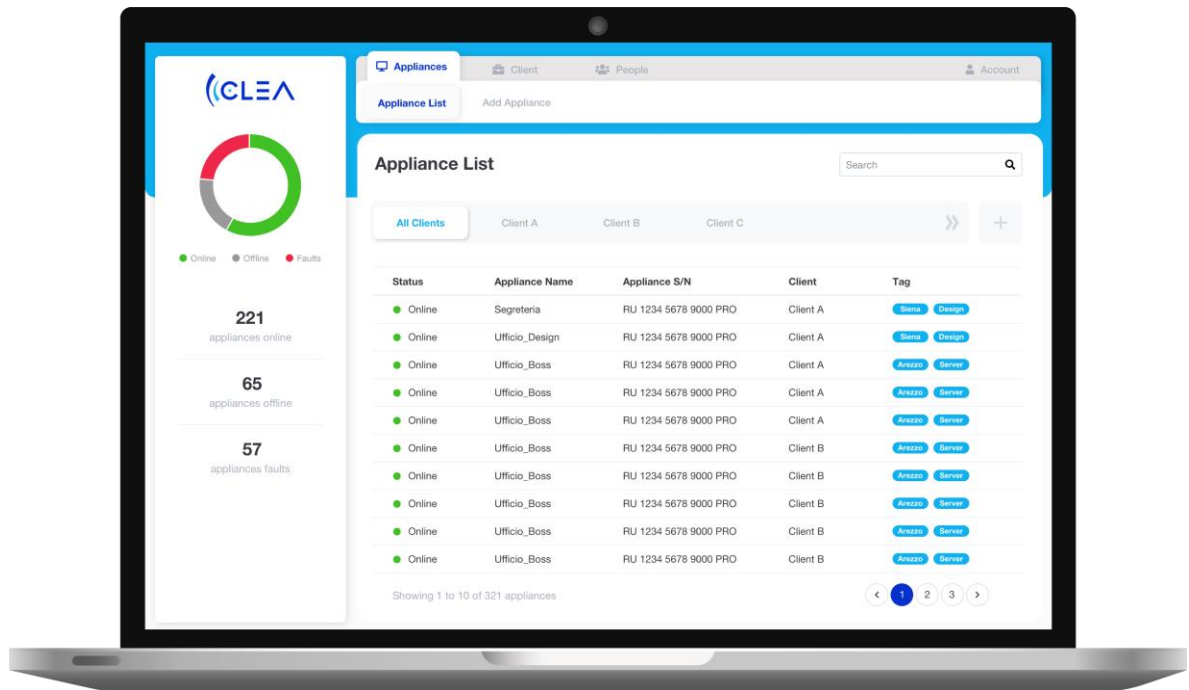
Endless ways to the future

An innovative strategy for a long-term growth path

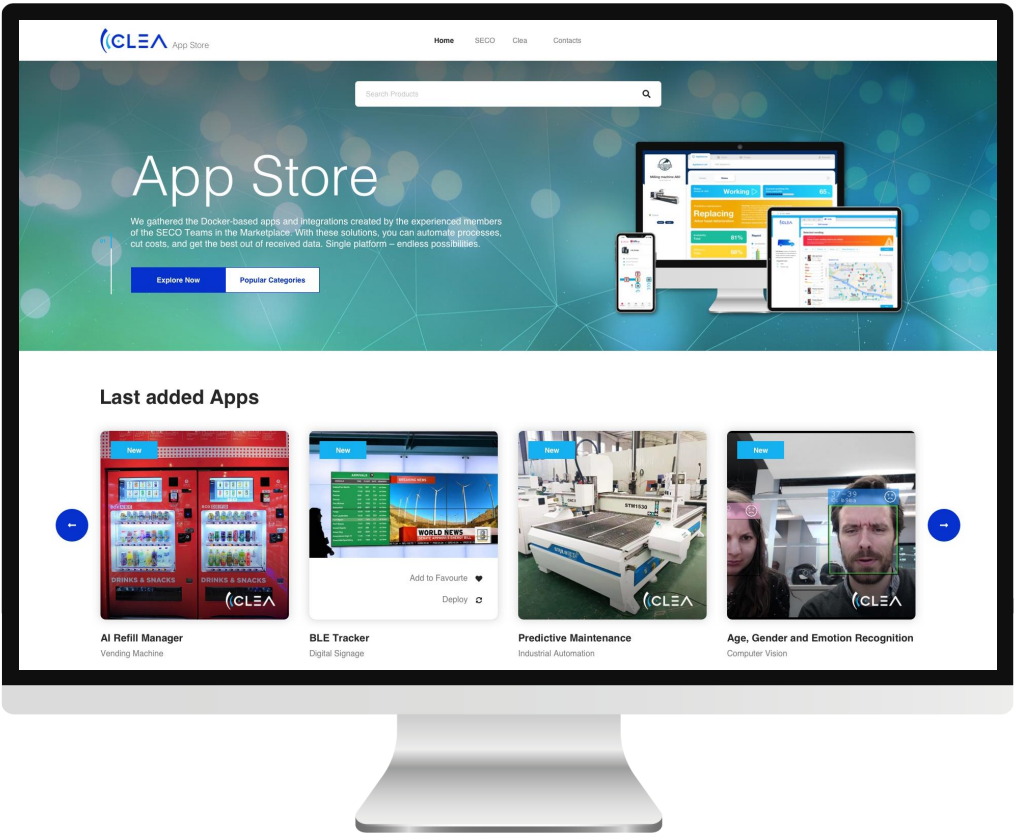
What's next? Complementing organic growth with additional, value-accretive transactions to further expand our competitive advantage



Edge computing



CLEA



CLEA App store

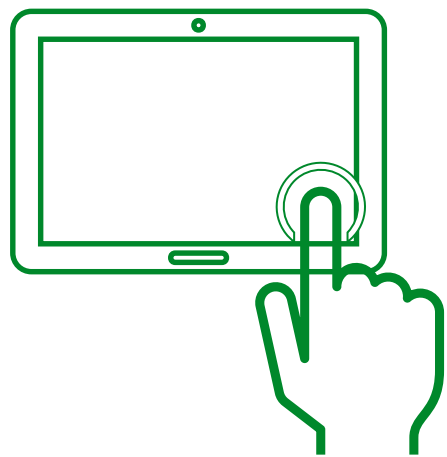
M&A: key focus areas by segment



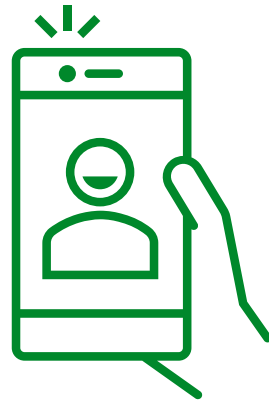
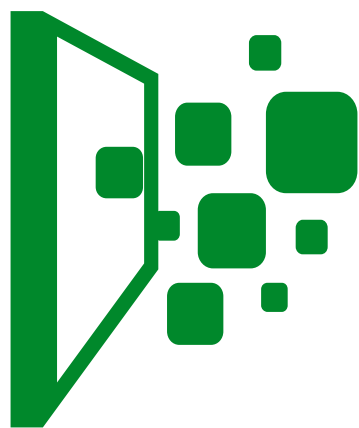
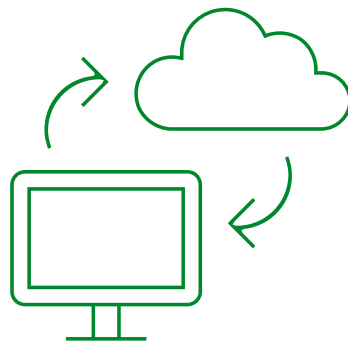
Customer base



Geographies



New technologies and functionalities



New Apps



Endless ways to the future



Endless ways to the future

Thank you
