



PRESS RELEASE

## SECO: H1 2024 results

The Board of Directors has approved the consolidated six-month results as of June 30, 2024

- 1H24 Net sales: €95.3M, -15% YoY
  - Clea business: €12.6M (13% of Net sales), +17% YoY
- Gross margin: €50.3M (53% of Net sales), +312 bps YoY
- Adjusted EBITDA: €15.8M (17% of Net sales), -40% YoY
- Adjusted Net income: €3.9M (4% of Net sales), -69% YoY
  
- For the full year, the Company expects Revenues to exceed €180M, maintaining a 50%+ Gross Profit Margin
- 2025 to normalize, with organic top line growth back to 15%+ and profitability in line with historical levels

Arezzo, September 12, 2024

The Board of Directors of SECO S.p.A. ("SECO" or the "Company") met today and has approved the consolidated results for the first six months of 2024.

**Massimo Mauri, CEO of SECO, commented:**

*"In what continues to be a challenging market environment, we saw revenues decline this quarter. This was largely expected, and we managed to mitigate its impact thanks to the strength and resilience of our business model. In particular, the expansion of Clea, our software business, allowed us to improve again our gross margins. In this context, management continues to be focused on delivering its long-term profitable growth strategy, lead by innovation and create value for its customers."*

### SECO's consolidated results in the period

**Net sales** changed from €111.9M as of June 30, 2023 to €95.3M as of June 30, 2024, decreasing by €16.5M (-14.8%). The first half of the year remained driven by the destocking trend which saw our key customers continue to reduce their inventory level. While we showed better resilience than the rest of the sector, this has led to a decrease in sales volumes across the various geographic areas and industrial verticals we serve.

In the first six months of the year, the Edge computing revenue (€82.7M) decreased by 18% compared to the first half of the previous year, while the Clea business grew by 17% compared to the same period of 2023, generating revenue for €12.6M, accounting for 13% of revenue in the period (+359 bps vs. H1 23).



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**Gross margin**<sup>1</sup> changed from €55.5M (49.6% of revenue) in the first six months of 2023 to €50.3M (52.7% of revenue) as of June 30, 2024, decreasing by €5.2M (-9.4%). The reduction in absolute value is attributed to the contraction in business volume. However, the indicator shows a significant improvement compared to the previous year, +312 basis points. This trend is mainly linked to the expansion of the Clea business, with a higher contribution from software to total revenue and the progressive reduction in the cost of components and raw materials used by SECO in its manufacturing processes.

**Adjusted EBITDA** changed from €26.5M (23.7% of revenue) as of June 30, 2023 to €15.8M (16.6% of revenue) as of June 30, 2024, decreasing by €10.7M (-40.4%). This evolution is largely explained by the previously mentioned sales dynamics, and the subsequent reduction in gross margin observed during the period, combined with a sales mix for the Edge computing business characterized by certain products with higher transformation costs.

To calculate Adjusted EBITDA, some adjustments have been made to account for some items that are non-recurring or not related to the Group's operating performance: in particular, these items amounted to ca. €5.7M overall in the first six months of 2024<sup>2</sup>. Gross of the above-mentioned adjustments, the EBITDA changed from €26.1M as of June 30, 2023 to €10.1M as of June 30, 2024, -61.3%.

**Adjusted EBIT**<sup>3</sup> changed from €18.0M (16.1% of revenue) as of June 30, 2023 to €6.4M (6.7% of revenue) as of June 30, 2024, with a decrease of €11.6M (-64.4%) as a result of the previously illustrated dynamics.

Gross of the above-mentioned adjustments, related to non-recurring items and items not related to the Group's operating performance, the EBIT changed from €15.6M as of June 30, 2023 to -€1.3M as of June 30, 2024, -108.2%.

**Adjusted Net income**<sup>4</sup> changed from €12.6M (11.3% of revenue) as of June 30, 2023 to €3.9M (4.1% of revenue) as of June 30, 2024, decreasing by €8.7M (-68.8%).

Gross of the above-mentioned adjustments, related to non-recurring items and items not related to the Group's operating performance, as well as their estimated tax effect, the Net income changed from €10.1M as of June 30, 2023 to -€3.0M as of June 30, 2024, -129.9%.

**Adjusted net financial debt**<sup>5</sup> changed from €52.0M as of December 31, 2023 to a net debt of €61.0M as of June 30, 2024.

This variation was mainly linked to extraordinary payments completed during the period. In particular, a tax reassessment following the audit process conducted by the administrative authorities from December 2023 to June 2024 leading to an agreement to repay taxes or tax benefits for €2.3M.

<sup>1</sup> *Gross margin*: corresponds to the difference between the revenue from sales and the costs for raw materials, consumables and merchandise, net of the change in the amount of inventory occurred during the period.

<sup>2</sup> These items mainly include the actuarial (non-monetary) value of the stock option plans attributed to some employees and key people of the Group (€2.5M), some non-recurring costs linked to extraordinary transactions carried out by SECO and tax reassessments following audits by the administrative authorities (€3.9M) and foreign exchange income (€0.6M).

<sup>3</sup> *Adjusted EBIT*: corresponds to the result of the period gross of the income taxes, the financial income and expenses, the income or losses from foreign exchange transactions, the effects of non-recurring items and transactions that the directors consider as not related to the Group's operating performance, and the amortization deriving from the Purchase Price Allocation related to the acquisition of the Garz & Fricke Group and the contribution in kind by Camozzi Digital S.r.l.

<sup>4</sup> *Adjusted Net Income*: corresponds to the result of the period gross of the effects of non-recurring items, transactions that the directors consider as not related to the Group's operating performance, and the amortization deriving from the Purchase Price Allocation related to the acquisition of the Garz & Fricke Group and the contribution in kind by Camozzi Digital S.r.l., considered taking into account an estimated tax effect based on a 24% tax rate (IRES tax rate).

<sup>5</sup> To calculate this indicator, adjustments have been made considering current and non-current financial liabilities deriving from leases, accounted for as a result of the application of IFRS 16 (€9.7M), and the VAT credit (€1.4M), which is structurally generated by SECO as a regular exporter and can be cashed in through factoring without recourse.

Gross of the above-mentioned adjustments, the net financial position changes from a net debt of €65.1M as of December 31, 2023 to a net debt of €72.0M as of June 30, 2024.



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In addition to the above, the dynamics of net working capital observed during the period should also be considered: in the first six months, an increase in trade receivables of €2.4M has been partially offset by an increase in trade payables of €1.0M and a decrease in inventory of €1.3M.

Such indicator was also impacted by a dividend payment to the shareholders of Fannal Electronics Co., Ltd. for €4.0M (of which €1.8M to minority shareholders), approved in May 2024 and completed on July 1<sup>st</sup>, 2024.

### **Significant events occurred after the end of the reporting period**

No significant events were recorded after the close of the period under review.

### **SECO outlook on the status of the business**

The results for the first six months of the year reflected the prolonged effects of the destocking operations carried out by customers. We continue to believe that a recovery in order intake will gradually materialize in the second half of the year. The resilience of our business combined with the strength of our client base should allow our revenues in the second half to be in line with the first six months.

We therefore anticipate that revenues for 2024 will exceed €180M, with a gross margin level above 50%.

Confident that 2025 will see the return of a normalized market environment, we expect SECO will return to experiencing 15%+ organic top-line growth, driven by both established and new customers which will enter into mass production. Profitability will also recover, aligning with historical levels.

We continue to acquire new design wins and customers, strengthening the foundation for our future development. Recent partnerships with technology leaders such as NXP and Google Cloud open up new opportunities, and SECO's strategic positioning will enable it to fully exploit the multiple growth trajectories offered by digitalization.

The market is at the beginning of an eco-digital revolution, where digitalization and the use of Artificial Intelligence algorithms "at the Edge" play a key role in the future technological developments of companies. The growing demand for smart solutions is increasingly directed towards the implementation of Artificial Intelligence directly on local devices, enabling the launch of new high value-added services, leveraging field data and introducing new business models. SECO's unique, comprehensive, and integrated technology proposition, focused on Edge computing and IoT-data analytics, is designed precisely to meet these needs and enable customers to seize the opportunities of digitalization across all industrial sectors.

In this volatile macroeconomic environment, SECO will continue to work as always to meet commitments and targets, maintaining a consistent focus on the efficient management of its economic and financial structure, to respond in an agile and immediate manner to the challenges and uncertainties of 2024.

### **Conference call**

The results as of June 30, 2024 will be presented today afternoon, September 12, 2024, at 15.00 (CET), during a conference call with the financial community. The conference call can be attended by registering at the following link: [https://blc-co-uk.zoom.us/webinar/register/WN\\_uSZT8X0zRdGseB7PA9nL2Q#/registration](https://blc-co-uk.zoom.us/webinar/register/WN_uSZT8X0zRdGseB7PA9nL2Q#/registration)

### **Alternative performance indicators**

In this press release, use is made of certain "alternative performance indicators" that are not envisaged in IFRS-EU accounting standards, and whose significance and content are illustrated below, in line with the ESMA/2015/1415 recommendations published on October 5, 2015.



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*Adjusted EBITDA*: defined as the result of the period gross of the income taxes, the financial income and expenses, the depreciation and amortization, the income or losses from foreign exchange transactions, the effects of non-recurring items and transactions that the directors consider as not related to the Group's operating performance.

*Adjusted Net financial debt*: represents the algebraic sum between cash and cash equivalents, financial receivables, current and non-current financial debt, adjusted for the VAT credit, the current and non-current financial liabilities deriving from leases recognized as a result of the application of IFRS 16, and any put & call options subscribed.

***The Manager responsible for preparing the Company's financial reports, Lorenzo Mazzini, declares, pursuant to paragraph 2 of Article 154 bis of the Consolidated Law on Finance (Testo Unico della Finanza), that the accounting information contained in this press release corresponds to the documented results, accounts and bookkeeping records.***



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### SECO

SECO (IOT.MI) is a high-tech company that develops and manufactures cutting-edge solutions for the digitalization of industrial products and processes. SECO's hardware and software offerings enable B2B companies to easily introduce edge computing, Internet of Things, data analytics, and artificial intelligence to their businesses. SECO's technology spans across multiple fields of application, serving more than 450 customers across sectors such as medical, industrial automation, fitness, vending, transportation, and many others. Through live monitoring and smart control of in-the-field devices, SECO solutions contribute to low environmental impact business operations via a more efficient use of resources.

For more information: <http://www.seco.com/>

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The accounting statements of SECO Group, not subject to independent auditing, are illustrated below.

## Consolidated Statement of Financial Position

(in Euro thousands)	30/06/2024	31/12/2023
Property, Plants and Equipment	16.879	16.726
Intangible Assets	105.334	104.019
Right of Use	10.806	11.755
Goodwill	165.477	165.216
Non-current financial assets	13.489	13.201
Deferred tax assets	1.943	2.289
Other non-current assets	1.819	1.623
<b>Total non-current assets</b>	<b>315.747</b>	<b>314.829</b>
Inventories	84.534	85.827
Trade receivables	51.934	49.489
Current tax assets	2.761	9.458
Other receivables	6.021	4.077
Cash and Cash Equivalents	65.552	74.816
<b>Total current assets</b>	<b>210.802</b>	<b>223.668</b>
<b>TOTAL ASSETS</b>	<b>526.549</b>	<b>538.497</b>
Share capital	1.296	1.296
Reserves	232.036	232.037
Translation reserve	60.311	45.425
Net profit / (loss) of the year	(5.157)	11.864
<b>Total Group Shareholders' Equity</b>	<b>288.486</b>	<b>290.622</b>
Equity of Non-controlling interests	19.251	19.109
Net profit / (loss) of the year of Non-controlling interest	2.149	2.766
<b>Minority interests</b>	<b>21.400</b>	<b>21.875</b>
<b>Total Shareholders' Equity</b>	<b>309.886</b>	<b>312.497</b>
Employee Benefits	3.503	3.312
Provisions	1.264	1.235
Deferred tax liabilities	24.262	24.084
Non-current financial liabilities	102.212	106.928
Non-current lease liabilities	7.543	8.603
Other non-current liabilities	8	8
<b>Total non-current liabilities</b>	<b>138.793</b>	<b>144.170</b>
Current financial liabilities	15.063	11.031
Current part of N-C Financial Liabilities	10.625	11.211
Current lease liabilities	2.157	2.126
Trade payables	37.375	36.402
Other payables	9.925	11.728
Current tax liabilities	2.724	9.332
<b>Total current liabilities</b>	<b>77.869</b>	<b>81.830</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>526.549</b>	<b>538.497</b>



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## Consolidated Income Statement

(in Euro thousands)	30/06/2024	30/06/2023
Net Sales	95.330	111.870
Other Revenues	1.720	2.080
Consumption Costs	(43.881)	(54.936)
Changes in Inventories	(1.178)	(1.430)
Costs for services	(15.449)	(10.161)
Personnel costs	(20.374)	(19.753)
Depreciation and amortization	(10.790)	(9.504)
Accruals and Provisions	(113)	-
Other Operating Costs	(6.553)	(2.541)
<b>Operating Profit</b>	<b>(1.288)</b>	<b>15.624</b>
Financial income	3.513	1.319
Financial costs	(4.171)	(4.055)
Exchange gains/losses	615	1.000
<b>Profit / (loss) before tax</b>	<b>(1.330)</b>	<b>13.888</b>
Income taxes	(1.678)	(3.838)
<b>Profit / (loss) for the year</b>	<b>(3.008)</b>	<b>10.050</b>
Minorities Profit / (loss) for the year	2.149	1.832
<b>Group Profit / (loss) for the year</b>	<b>(5.157)</b>	<b>8.218</b>
Earnings per Share	0,00	0,07
Diluted Earnings per Share	0,00	0,06

## Consolidated Statement of Comprehensive Income

(in Euro thousands)	30/06/2024	30/06/2023
<b>Net profit for the year</b>	<b>(3.008)</b>	<b>10.050</b>
<b>Other comprehensive income/(expense) which may be subsequently reclassified to the income statement:</b>	<b>812</b>	<b>(2.388)</b>
Translation differences	560	(1.759)
Net gain/(loss) on Cash Flow Hedge	252	(629)
<b>Other comprehensive income/(expense) which may not be subsequently reclassified to the income statement:</b>	<b>-</b>	<b>-</b>
Discounting employee benefits	-	-
Tax effect discounting employee benefits	-	-
<b>Total comprehensive income</b>	<b>812</b>	<b>(2.388)</b>
Non-controlling interests	2.413	764
Parent company shareholders	(4.609)	6.898
<b>Total comprehensive income</b>	<b>(2.196)</b>	<b>7.663</b>



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## Consolidated Cash Flow Statement

(in Euro thousands)	30/06/2024	30/06/2023
<b>Net profit for the year</b>	<b>(3.008)</b>	<b>10.051</b>
Income taxes	1.678	3.838
Amortization & depreciation	10.790	9.504
Change in employee benefits	192	81
Financial income/(charges)	658	2.736
Exchange gains/(losses)	(615)	(1.000)
Costs for share-based payments	2.450	669
<b>Cash flow before working capital changes</b>	<b>12.144</b>	<b>25.879</b>
Change in trade receivables	(2.034)	(13.491)
Change in inventories	1.294	1.457
Change in trade payables	657	(2.362)
Other changes in tax receivables and payables	1.092	469
Other changes in current receivables and payables	(3.748)	(3.001)
Other changes in non-current receivables and payables	272	(1.244)
Use of provisions for risks, receivables and inventories	29	-
Interest received	3.513	1.319
Interest paid	(4.353)	(2.901)
Exchange gains/(losses) realized	60	846
Income taxes paid	(2.679)	(1.307)
<b>Cash flow from operating activities (A)</b>	<b>6.245</b>	<b>5.665</b>
(Investments) /Disposals of property, plant and equipment	(1.845)	(1.288)
(Investments) /Disposals of intangible assets	(9.248)	(7.293)
(Investments) /Disposals of financial assets	281	0
Acquisition of business units net of cash and cash equivalents	-	-
Acquisition of subsidiaries net of cash and cash equivalents	-	-
<b>Cash flow from investing activities (B)</b>	<b>(10.812)</b>	<b>(8.580)</b>
New loan drawdowns	2.000	-
(Repayment) of bank loans	(7.302)	(17.070)
Change in current financial liabilities	1.326	(6.583)
Repayment lease financial liabilities	(1.244)	(869)
Dividends paid	-	-
Paid-in capital increase	(1)	64.993
Acquisition of treasury shares	-	-
Acquisition of shares from minorities	-	(173)
<b>Cash flows from financing activities (C)</b>	<b>(5.220)</b>	<b>40.299</b>
<b>Increase (decrease) in cash and cash equivalents (A+B+C)</b>	<b>(9.787)</b>	<b>37.383</b>
<b>Cash &amp; cash equivalents at beginning of the year</b>	<b>74.816</b>	<b>39.586</b>
Translation differences	522	(1.138)
<b>Cash &amp; cash equivalents at end of the year</b>	<b>65.552</b>	<b>75.831</b>





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## Consolidated Statement of Changes in Equity

(in Euro thousands)	01/01/2024	Share Capital increase	Allocation of profit	Dividends paid	Other changes	Comprehensive income/(loss)	30/06/2024
Share Capital	1.296	-	-	-	-	-	1.296
Legal reserve	289	-	-	-	-	-	289
Share premium reserve	232.037	(1)	-	-	-	-	232.036
Other reserves	45.613	-	11.864	-	2.474	252	60.203
Translation reserve	(215)	-	-	-	-	296	81
FTA reserve	(371)	-	-	-	-	-	(371)
Discounting of employee benefit	109	-	-	-	-	-	109
Group profit (loss)	11.864	-	(11.864)	-	-	(5.157)	(5.157)
<b>Group Shareholders' Equity</b>	<b>290.623</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>2.474</b>	<b>(4.609)</b>	<b>288.487</b>
Minority interests in shareholders f	19.108	-	2.766	(2.887)	-	264	19.251
Discounting of employee benefit	-	-	-	-	-	-	-
Minority interests in profit (loss)	2.766	-	(2.766)	-	-	2.149	2.149
<b>Minority interests</b>	<b>21.874</b>	<b>-</b>	<b>-</b>	<b>(2.887)</b>	<b>-</b>	<b>2.413</b>	<b>21.400</b>
<b>Total Shareholders' Equity</b>	<b>312.497</b>	<b>(1)</b>	<b>-</b>	<b>(2.887)</b>	<b>2.474</b>	<b>(2.196)</b>	<b>309.887</b>