

SECO

Technology

Inflection Confirmed, Upside Intact

SECO is a global tech group delivering AIoT solutions via advanced edge systems and its proprietary Clea platform. Backed by strong R&D and targeted M&A, it ranks among the top 5 in embedded edge computing worldwide.

Solid 3Q25 Results, Profitability Above Expectations

SECO posted a strong 3Q25, validating tangible operating momentum and clear margin recovery. Sales grew +9% y/y (est. +11% at CER) to €48.0mn, the fifth consecutive quarter of sequential improvement in y/y growth and confirming a sustained recovery in order flow, despite a softer contribution from Clea (+5% y/y in 3Q25 vs. +14% in 2Q25). Profitability further strengthened, with GPM at 54.7% (+380bps y/y), supported by a richer sales mix and sourcing efficiencies. Adj. EBITDA doubled y/y to €10.7mn (22.2% margin), benefiting from volume-driven operating leverage and Opex savings (–€2.1mn y/y). Excluding €3mn of extraordinary Capex related to production capacity expansion, Adj. Net Debt would have improved by €2.1mn vs. 2Q25 (€50.3mn).

Conference Call Highlights: Momentum and Execution

Management confirmed strong momentum across regions, with US and APAC outperforming (>+20% y/y in 9M25), while EMEA remained affected by Germany's weakness (–30% y/y). Edge Computing grew +9% y/y, confirming a five-quarter turnaround in y/y growth, whereas Clea saw a slower ramp-up as several projects moved into the deployment phase. The product roadmap continues to expand, with new launches (Pi Vision 10.1 CM5, Clea Vend), alongside ~€10mn expected untanium Capex to increase production capacity by 50%. Management reaffirmed confidence in the outlook, supported by a healthy backlog, and confirmed FY25 guidance: €200mn+ sales at CER and 50%+ GPM.

Minor FY25 Forecast Adjustments, Strong FY27E Trajectory

Following 3Q25 results, we fine-tuned FY25E: Net Sales –1%, Adj. EBITDA +5%, Adj. Net Profit +16%, reflecting stronger margins and cost efficiency. FY26E-27E remain unchanged, assuming sustained double-digit growth and continued margin expansion. By FY27E, we forecast €247.8mn Net Sales, €55.5mn Adj. EBITDA (~700bps margin gain vs. FY24), and Adj. Net Debt down to €24.5mn (0.4x), thanks to a more profitable revenues mix and stronger cash generation.

Fair Value Confirmed at €3.85 p/s

We reiterate our €3.85 p/s fair value, with FY26E-27E estimates unchanged. 3Q25 results reinforce our view that SECO has reached an inflection point, combining stronger fundamentals with still undemanding multiples. We expect consistent execution on growth and margins to progressively close the valuation gap, supporting a milestone-driven rerating path - with potential upside toward €4.70 p/s by late 2026 as visibility on profitability milestones strengthens.

Filippo Mazzoleni

filippo.mazzoleni@value-track.com

Tommaso Martinacci

tommaso.martinacci@value-track.com

FAIR VALUE (€)	3.85
MARKET PRICE (€)	3.24
MARKET CAP (€mn)	430.2

KEY FINANCIALS	FY24	FY25E	FY26E
NET SALES	183.5	197.5	224.5
ADJ. EBITDA	28.2	41.2	47.8
ADJ. EBIT	6.8	22.2	24.5
ADJ. NET PROFIT	1.4	14.4	15.9
NET EQUITY	291.7	299.2	312.6
ADJ. NET DEBT (-) / NET CASH (+)	-41.3	-45.1	-40.5
ADJ. EPS	0.01	0.11	0.12
DPS	0.00	0.00	0.00

Source: SECO (historical figures), Value Track (estimates)

RATIOS AND MULTIPLES	FY24	FY25E	FY26E
ADJ. EBITDA MARGIN (%)	15.4	20.9	21.3
ADJ. EBIT MARGIN (%)	3.7	11.2	10.9
ADJ. NET DEBT / ADJ. EBITDA (x)	1.5	1.1	0.8
ADJ. NET DEBT / NET EQUITY (x)	0.1	0.2	0.1
ADJ. ROE (%)	nm	3.8	4.0
EV / SALES (x)	1.5	2.6	2.2
EV / EBITDA ADJ. (x)	10.0	12.3	10.5
EV / EBIT ADJ. (x)	41.4	22.9	20.5
P / E ADJ. (x)	nm	29.8	27.1

Source: SECO (historical figures), Value Track (estimates)

STOCK DATA	
MARKET PRICE (€)	3.24
NOSH (mn)	133.0
MARKET CAP (€mn)	430.2
ENTERPRISE VALUE (€mn)	507.3
FREE FLOAT (%)	27.8
AVG L30D VOLUME ('000)	256,388
RIC / BBG	IOT.MI / IOTIM
52 WK MAX - MIN (€)	1.46 – 3.61

Source: Stock Market Data

Description

SECO is a global technology group specializing in integrated edge-to-cloud solutions for the AI Internet of Things (AIoT). With over 800 professionals, 5 production sites, and 9 R&D centers, it serves 450+ clients across key verticals such as vending, industrial automation, fitness, and medical. Its offering combines customized, value-added edge systems with Clea, a proprietary AI-powered platform that transforms field data into actionable insights and recurring revenues. Backed by robust in-house R&D and a track record of 8 M&A deals since 2018, SECO is recognized among the world's top 5 players in embedded edge computing.

Financial Highlights

KEY FINANCIALS (IAS, €mn)	FY24	FY25E	FY26E	FY27E
Net Sales	183.5	197.5	224.5	247.8
y/y (%)	-13%	8%	14%	10%
Adj. EBITDA	28.2	41.2	47.8	55.5
Adj. EBITDA Margin (%)	15%	21%	21%	22%
Adj. EBIT	6.8	22.2	24.5	32.3
Adj. EBIT Margin (%)	4%	11%	11%	13%
Adj. Net Profit	1.4	14.4	15.9	21.4
y/y (%)	-94%	nm	10%	34%
Adj. Total Comprehensive Income	0.2	11.0	15.9	21.4
y/y (%)	-99%	nm	44%	34%
Adj. Net Financial Position	-41.3	-45.1	-40.5	-24.5
Adj. Net. Fin. Pos. / EBITDA (x)	1.5	1.1	0.8	0.4
Capex	-20.5	-24.0	-26.0	-22.0
OpFCF b.t.	25.7	9.8	15.7	27.4
OpFCF b.t. / Adj. EBITDA (%)	91%	24%	33%	49%

Source: SECO, Value Track Analysis

Investment Case

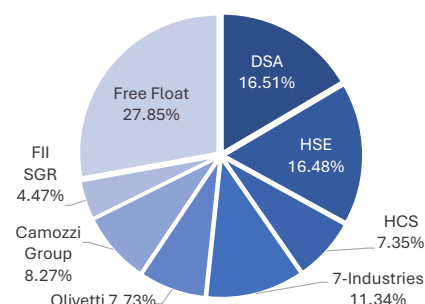
Strengths / Opportunities

- Fully integrated IoT offering, from edge computing to software stack;
- Exposure to secular growth drivers (e.g., digital transformation and AI);
- Diversified and loyal customer base with long-term relationships;
- Highly fragmented market enables selective M&A.

Weaknesses / Risks

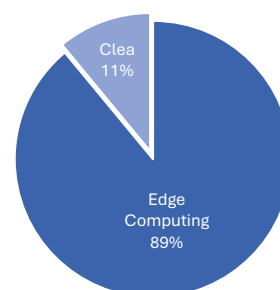
- Smaller scale vs. global competitors;
- Sensitive to macroeconomic swings and industrial capex cycles;
- Dependence on electronic components shortages and price volatility.

SHAREHOLDERS' STRUCTURE



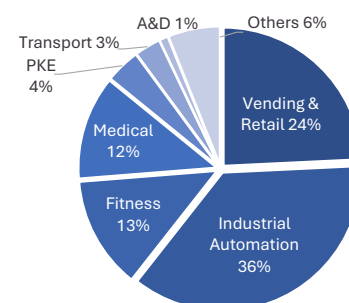
Source: SECO

NET SALES BY SOLUTION



Source: SECO, 9M25

NET SALES BY VERTICAL



Source: SECO, 9M25

STOCK MULTIPLES @ FV	FY25E	FY26E
EV / SALES (x)	3.0	2.6
EV / EBITDA ADJ. (x)	14.3	12.2
EV / EBIT ADJ. (x)	26.6	23.9
EV / CAP. EMPLOYED	1.7	1.7
OpFCF Yield (%)	1.7	2.7
P / E ADJ. (x)	35.5	32.2
P / BV (x)	1.7	1.6
Dividend Yield (%)	0.0	0.0

Source: Value Track Analysis

3Q25/9M25 Financial Results

Key Figures & Messages

SECO's 3Q25 results confirm solid operating momentum, particularly on the profitability side, where Gross Margin and Adj. EBITDA Margin both exceeded expectations, marking their third and fourth consecutive quarterly improvements, respectively. This performance was achieved despite a softer-than-anticipated, yet still double-digit (at constant exchange rate, or "CER"), top-line growth. Excluding extraordinary Capex related to capacity expansion, the group also delivered robust FCF generation. In detail, 3Q25 results show:

- **Net Sales** at **€48.0mn**, up +9% y/y (est.+11% at CER), representing the fifth consecutive quarter of sequential improvement in y/y growth and confirming a sustained recovery in order flow. Revenues, however, were down q/q and came in ~5% below our estimates, mainly due to slower Clea performance (+5% y/y in 3Q25 vs. +14% y/y in 2Q25);
- **Gross Profit** at **€26.3mn**, up +17% y/y, with GPM improving 380 bps y/y to 54.7%. The uplift was driven by a more profitable sales mix across key verticals (Medical, Industrial, Fitness, Defense), higher Clea recurring revenues (44% vs. est. 40% in 3Q24), and cost efficiencies achieved on components procurement, partially retained rather than rebated to clients;
- **Adj. EBITDA** at **€10.7mn**, more than doubling y/y (€4.6mn in 3Q24), i.e. 22.2% margin – “the highest in over two years” - supported by volume-driven operating leverage and Opex reduction (-€2.1mn y/y in 3Q25; -€4.6mn in 9M25, excluding one-offs);
- **Adj. Net Debt** at **€51.2mn**, up ca. €10mn vs. FY24 (€41.3mn) but broadly flat q/q (€50.3mn in 2Q25). The solid operating cash generation was absorbed by €8.1mn Capex, of which €3.0mn were extraordinary investments linked to the new production facility near Arezzo and new assembly lines in Hangzhou. Excluding these, Adj. Net Debt would have improved by €2.1mn vs. 2Q25.

SECO: Key Financials 9M24-9M25

Key Financials (IAS, €mn)	3Q24	3Q25	y/y	9M24	9M25	y/y
Net Sales	44.1	48.0	9%	139.4	146.4	5%
Gross Profit	22.4	26.3	17%	72.7	78.8	8%
Gross Margin (%)	50.9%	54.7%	380bps	52.1%	53.8%	170bps
Adj. EBITDA	4.6	10.7	>100%	20.4	30.8	51%
Adj. EBITDA Margin (%)	10.5%	22.2%	>1000bps	14.7%	21.0%	630bps
Adj. Net Debt	41.3 (*)	51.2	nm	41.3 (*)	51.2	nm

Source:SECO, Value Track Analysis, (*) FY24

Additional takeaways coming from the **Management Conference Call** were:

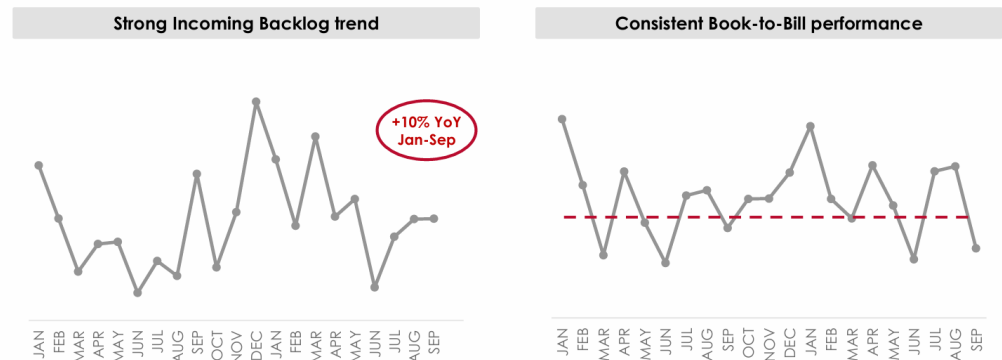
- **Strong momentum remained well distributed across regions**, with the US and APAC outperforming (>+20% y/y in 9M25), while EMEA was still affected by Germany's industrial weakness (-30% y/y). At business-line level, Clea's growth was slower than expected as several projects transitioned into the deployment phase, with devices progressively connecting to the platform. Nonetheless, we estimate recurring revenues to have grown +17% y/y in 3Q25, accounting for 44% of Clea's total. Conversely, Edge Computing grew +9% y/y to €43.5mn, confirming a five-quarter turnaround in y/y growth;
- **Robust product roadmap**, with management highlighting an expanding portfolio, including:
 - *Pi Vision 10.1 CM5*: first joint product with Raspberry Pi, a new industrial-grade HMI fully supporting the Clea operating system;
 - *Clea Vend*: new HW-agnostic telemetry platform for cloud-based vending management, compatible with SECO's payment terminals and strengthening its leadership in the segment;
 - *Application Hub*: constantly growing the numbers of dedicated algorithms/apps available (on track to reach +150 dedicated solutions by early next year).

- **Ramp-up of production capabilities** with Capex of ~€10mn dedicated to the new plant near the Arezzo HQ (3,500 sqm production area with 10 assembly lines, plus 400 sqm offices, expected to be ready by end of April 2026, increase production capacity by 50%, and provide additional costs savings thanks to higher levels of efficiency) and the setup of new lines in Hangzhou. Thanks to these two adoptions, SECO should have enough production capacity to deliver up to ~€350mn in annual sales;
- **Reaffirmed positive stance on business outlook**, supported by a healthy backlog (+10% y/y) and improving book-to-bill ratios. SECO sees the industrial market still at the early stage of digital transformation: amid a gradual AI adoption curve constrained by OEMs' complexity barriers, SECO positions itself as the preferred strategic partner offering a fully integrated end-to-end AI solution that simplifies and accelerates adoption;
- **Full-year guidance confirmed**, with Net Sales on track to achieve €200mn+ in FY25 at CER, and a 50%+ Gross Margin level.

SECO: Order Intake and Book-to-Bill evolution

KPIs continue to confirm a rebound in clients' demand

Confirmed uptick in both backlog and order intake over the past 18 months
Book-to-bill consistently at or above 1 over the first half



Source: SECO

SECO: New Production Facility in Arezzo

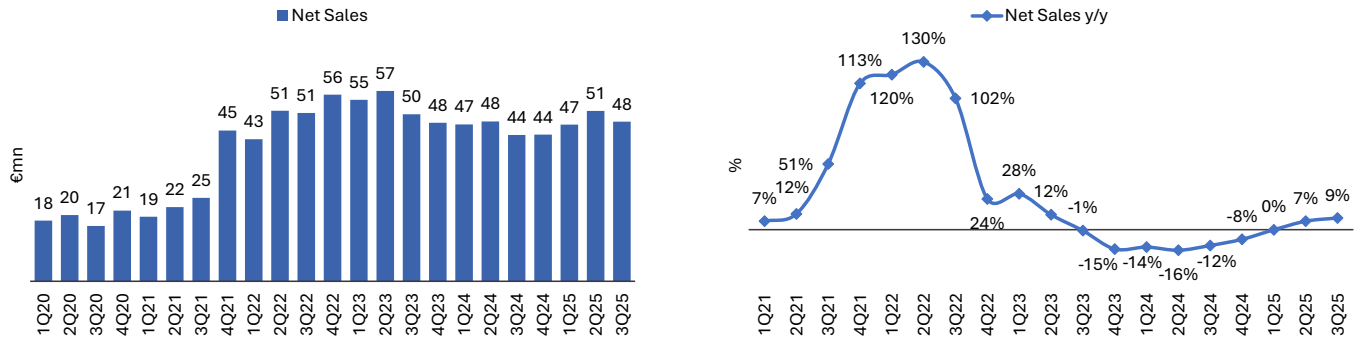
Anticipating growth and ramping-up production capabilities

New plant near to Arezzo Headquarters – Ready to operate by end of April 2026



Source: SECO

SECO: Net Sales by Quarters



Source: SECO, Value Track Analysis

SECO: Net Sales by Solution 9M24-9M25

Net Sales (IAS, €mn)	3Q24	3Q25	y/y	9M24	9M25	y/y
Edge Computing	39.7	43.5	9%	122.4	129.9	6%
As a % of Total	90%	90%	0bps	88%	89%	100bps
Clea	4.4	4.6	5%	17.0	16.6	-2%
As a % of Total	10%	10%	0bps	12%	11%	-100bps
Net Sales	44.1	48.0	9%	139.4	146.4	5%

Source:SECO, Value Track Analysis

SECO: Net Sales by Vertical and by Geography 9M25



Source: SECO, Value Track Analysis

SECO: EBITDA Adjustments 9M24-9M25

EBITDA Adjustments (IAS, €mn)	3Q24	3Q25	y/y	9M24	9M25	y/y
EBITDA	2.3	9.5	>100%	12.4	25.4	>100%
EBITDA Margin (%)	5.3%	19.8%	>1000bps	8.9%	17.4%	850bps
Exchange Gains / Losses	0.7	0.0	-100%	0.1	0.9	>100%
Income / Charges Non-Core Activities	1.6	1.2	-25%	7.9	4.5	-43%
Non-Recurring Income / Charges Core Act.	0.0	0.0	nm	0.0	0.0	nm
Adj. EBITDA	4.6	10.7	>100%	20.4	30.8	51%
Adj. EBITDA Margin (%)	10.5%	22.2%	>1000bps	14.7%	21.0%	630bps

Source:SECO, Value Track Analysis

Financial Statements 9M24-9M25

SECO: Profit & Loss 9M24-9M25

P&L (IAS, €mn)	9M24	9M25	y/y
Net Sales	139.4	146.4	5%
Consumption Costs (incl. Δ Inventory)	-66.7	-67.7	1%
Adjustments	0.0	0.0	-100%
Gross Profit	72.7	78.8	8%
Gross Profit Margin (%)	52.1%	53.8%	170bps
Costs for Services	-22.4	-18.1	-19%
Personnel Costs	-31.4	-32.2	3%
Other Revenue / Costs / Adjustments	1.5	2.4	57%
Adj. EBITDA	20.4	30.8	51%
Adj. EBITDA Margin (%)	14.7%	21.0%	630bps
D&A	-16.1	-16.6	3%
Others / Adjustments	3.2	3.0	-6%
Adj. EBIT	7.5	17.2	>100%
Adj. EBIT Margin (%)	5.4%	11.7%	630bps
Net Financial Charges (incl. FX)	-1.8	-3.5	96%
Taxes	-2.2	-1.7	-26%
Adjustments	-1.9	-0.7	-65%
Adj. Net Profit	1.6	11.4	>100%

Source: SECO, Value Track Analysis

SECO: Balance Sheet 9M24-9M25

Balance Sheet (IAS, €mn)	FY24	9M25
Net Fixed Assets	297.4	298.8
Net Working Capital	66.5	79.3
Provisions	30.9	29.5
Total Capital Employed	333.0	348.5
Group Net Equity	291.7	297.3
Adj. Net Financial Position	-41.3	-51.2

Source: SECO, Value Track Analysis

SECO: Cash Flow Statement 9M24-9M25

Cash Flow Statement (IAS, €mn)	9M24	9M25
Adj. EBITDA	20.4	30.8
Δ Net Working Capital (incl. Prov.)	3.7	-14.2
Capex (excl. Fin. Investments)	-16.5	-15.8
OpFCF (b.t.)	7.6	0.8
As a % of Adj. EBITDA	37%	3%
Cash Taxes	-2.2	-1.7
Net Financial Charges	-1.8	-3.5
Others	-8.5	-5.6
Δ Adj. Net Financial Position	-4.9	-9.9

Source: SECO, Value Track Analysis

Forecasts FY25E-27E

Estimates Review

Following the release of 3Q25 results, we fine-tuned our 4Q25E/FY25E forecasts, while leaving FY26E–27E estimates unchanged. We believe the trajectory implied by the latest figures - namely, sustained double-digit growth and a significant margin uplift driven by operating leverage - was already embedded in our Initiation Report assumptions from last September. In more detail our FY25E revision reflects:

- **Net Sales** adjusted by -1% vs. previous estimates, to factor in the lower-than-expected 3Q25 revenues, while maintaining a 4Q25E forecast of €51.0mn, implying a robust ~16% y/y growth (~19% at CER);
- **Adj. EBITDA** raised by +5%, mainly to capture the stronger profitability achieved in 3Q25 and the additional improvements expected on personnel costs in 4Q25 vs. our prior assumptions. We remain cautious, however, on service costs - whose incidence on Net Sales reached a cyclical low of 11.8% (since 3Q23) - awaiting confirmation of a structural efficiency trend;
- **Adj Net Profit** increased by +16%, reflecting the above margin adjustments combined with lower-than-expected D&A levels in the quarter;
- **Adj. Net Debt** confirmed at €45.1mn, with cash generation assumptions broadly unchanged, as our model already captured Capex linked to production capacity expansion. Year-end Net Working Capital remains hard to predict, though we assume potential optimization as seen in 4Q24.

SECO: Estimates Old vs. New

Key Financials (IAS, €mn)	FY25E			FY26E			FY27E		
	Old	New	Δ	Old	New	Δ	Old	New	Δ
Net Sales	200.5	197.5	-1%	224.5	224.5	0%	247.8	247.8	0%
y/y (%)	9%	8%	-160bps	12%	14%	170bps	10%	10%	0bps
Adj. EBITDA	39.3	41.2	5%	47.8	47.8	0%	55.5	55.5	0%
Adj. EBITDA Margin (%)	16%	18%	140bps	20%	20%	0bps	22%	22%	0bps
Adj. EBIT	18.4	22.2	21%	24.5	24.5	0%	32.3	32.3	0%
Adj. EBIT Margin (%)	9%	11%	210bps	11%	11%	0bps	13%	13%	0bps
Adj. Net Profit	12.4	14.4	16%	15.9	15.9	0%	21.4	21.4	0%
Adj. Net Debt	45.1	45.1	0.0	40.5	40.5	0.0	24.5	24.5	0.0

Source: Value Track Analysis

SECO: 4Q25E Implied Estimates

EBITDA Adjustments (IAS, €mn)	9M24	4Q24	FY24	9M25	4Q25E	FY25E
Net Sales	139.4	44.1	183.5	146.4	51.0	197.5
y/y (%)	-14%	-8%	-13%	5%	16%	8%
Gross Profit	72.7	24.1	96.8	78.8	26.9	105.6
Gross Margin (%)	52.2%	54.6%	52.7%	53.8%	52.6%	53.5%
Adj. EBITDA	20.4	7.8	28.2	30.8	10.4	41.2
Adj. EBITDA Margin (%)	14.7%	17.6%	15.4%	21.0%	20.4%	20.9%
Adj. EBIT	7.5	-0.7	6.8	17.2	5.0	22.2
Adj. EBIT Margin (%)	5.4%	-1.6%	3.7%	11.7%	9.7%	11.2%
Adj. Net Profit	1.6	-0.2	1.4	11.4	3.0	14.4
Adj. Net Debt	56.9	41.3	41.3	51.2	45.1	45.1

Source: SECO, Value Track Analysis

New Estimates FY25E-27E

Key Forecasts & Drivers

Our revised estimates remain consistent with management's FY25E guidance of €200mn+ revenues (at CER), and we continue to expect double-digit growth through FY27E, alongside a return to peak operating margins and robust free cash flow generation. By **FY27E**, we forecast:

- **Net Sales** of **€247.8mn**, reflecting a fully organic CAGR_{FY24-27E} of +11%;
- **Adj. EBITDA** doubling to **€55.5mn**, implying a ~700bps margin expansion vs. FY24;
- **Adj. Net Debt** declining to **€24.5mn**, driving leverage down from 1.5x to 0.4x Adj. EBITDA.

We see this financial trajectory underpinned by three main drivers:

1. **Favorable new market outlook and competitive product positioning;**
2. **More profitable revenue mix and improving operating leverage;**
3. **Stronger EBITDA-to-Operating Free Cash Flow conversion.**

SECO: Net Sales by Solution FY24-27E

Net Sales (IAS, €mn)	FY24	FY25E	FY26E	FY27E	CAGR
Edge Computing	162.2	174.5	193.6	211.3	9%
y/y	-13%	8%	11%	9%	-
As a % of Total	88%	88%	86%	85%	-
Clea	21.3	22.9	30.8	36.5	20%
y/y	-5%	8%	34%	18%	-
As a % of Total	12%	12%	14%	15%	-
Net Sales	183.5	197.5	224.5	247.8	11%
y/y	-13%	8%	14%	10%	-

Source: SECO, Value Track Analysis

SECO: EBITDA Adjustments FY24-27E

EBITDA Adjustments (IAS, €mn)	FY24	FY25E	FY26E	FY27E	CAGR
EBITDA	15.6	34.6	45.3	55.0	52%
EBITDA Margin (%)	8.5%	17.5%	20.2%	22.2%	>1000bps
Adjustments	12.6	6.6	2.5	0.5	-67%!
Adj. EBITDA	28.2	41.2	47.8	55.5	25%
Adj. EBITDA Margin (%)	15.4%	20.9%	21.3%	22.4%	700bps
Capitalized Development Costs	-15.1	-15.3	-16.0	-16.0	2%
Cash Adjustments	-2.3	0.0	0.0	0.0	nm
Adj. Cash EBITDA	10.8	25.9	31.8	39.5	54%
Adj. Cash EBITDA Margin (%)	5.9%	13.1%	14.2%	16.0%	>1000bps

Source: SECO, Value Track Analysis

Financial Statements FY24-27E

SECO: Profit & Loss FY24-27E

P&L (IAS, €mn)	FY24	FY25E	FY26E	FY27E	CAGR
Net Sales	183.5	197.5	224.5	247.8	11%
Consumption Costs (incl. Δ Inventory)	-90.9	-91.8	-104.5	-113.3	8%
Adjustments	4.2	0.0	0.0	0.0	-100%
Adj. Gross Profit	96.8	105.6	120.0	134.5	12%
Adj. Gross Profit Margin (%)	52.7%	53.5%	53.5%	54.3%	160bps
Costs for Services	-28.8	-24.5	-26.1	-26.8	-2%
Personnel Costs	-42.2	-43.1	-46.5	-49.4	5%
Other Revenue / Costs / Adjustments	2.5	3.2	0.4	-2.7	nm
Adj. EBITDA	28.2	41.2	47.8	55.5	25%
Adj. EBITDA Margin (%)	15.4%	20.9%	21.3%	22.4%	700bps
D&A	-30.0	-22.3	-23.3	-23.3	-8%
Others / Adjustments	8.6	3.3	0.0	0.0	-100%
Adj. EBIT	6.8	22.2	24.5	32.3	68%
Adj. EBIT Margin (%)	3.7%	11.2%	11.0%	13.0%	930bps
Net Financial Charges (incl. FX)	-1.0	-4.4	-3.4	-2.8	43%
Taxes	-1.1	-2.4	-5.2	-8.1	94%
Adjustments	-3.3	-1.0	0.0	0.0	-100%
Adj. Net Profit	1.4	14.4	15.9	21.4	>100%

Source: SECO, Value Track Analysis

SECO: Balance Sheet FY24-27E

Balance Sheet (IAS, €mn)	FY24	FY25E	FY26E	FY27E
Net Fixed Assets	297.4	301.3	304.0	302.7
Net Working Capital	66.5	73.2	79.6	85.9
Provisions	30.9	30.1	30.5	30.7
Total Capital Employed	333.0	344.3	353.1	357.9
Group Net Equity	291.7	299.2	312.6	333.4
Adj. Net Financial Position	-41.3	-45.1	-40.5	-24.5

Source: SECO, Value Track Analysis

SECO: Cash Flow Statement FY24-27E

Cash Flow Statement (IAS, €mn)	FY24	FY25E	FY26E	FY27E
Adj. EBITDA	28.2	41.2	47.8	55.5
Δ Net Working Capital (incl. Prov.)	18.0	-7.4	-6.1	-6.1
Capex (excl. Fin. Investments)	-20.5	-24.0	-26.0	-22.0
OpFCF (b.t.)	25.7	9.8	15.7	27.4
As a % of Adj. EBITDA	91%	24%	33%	49%
Cash Taxes	-1.1	-2.4	-5.2	-8.1
Net Financial Charges	-1.0	-4.4	-3.4	-2.8
Others	-12.9	-6.8	-2.5	-0.5
Δ Adj. Net Financial Position	10.7	-3.8	4.6	16.0

Source: SECO, Value Track Analysis

Value Track vs. Consensus

SECO: Value Track Estimates vs. Consensus (*)

Key Financials (IAS, €mn)	FY25E			FY26E		
	VT	Cons.	Δ	VT	Cons.	Δ
Net Sales	197.5	201.9	-2%	224.5	230.4	-3%
<i>y/y (%)</i>	<i>8%</i>	<i>10%</i>	<i>-200bps</i>	<i>14%</i>	<i>14%</i>	<i>0bps</i>
Adj. EBITDA	41.2	41.1	0%	47.8	51.3	-7%
<i>Adj. EBITDA Margin (%)</i>	<i>21%</i>	<i>20%</i>	<i>100bps</i>	<i>21%</i>	<i>22%</i>	<i>-100bps</i>
Adj. Net Profit	14.4	11.2	29%	15.9	16.9	-6%
Adj. Net Debt	45.1	46.6	-1.5	40.5	36.6	3.9

Source: Value Track Analysis, (*) As disclosed on SECO's Website

Valuation

Fair Value Confirmed at €3.85 p/s

With FY26E–27E estimates unchanged, we reiterate our fair value at **€3.85 p/s** (for full methodology, see our Initiation Report published back as of September 2025).

3Q25 results further support our view that SECO has reached an inflection point, with macro normalization and company-specific momentum underpinning the next growth phase. Relative to the IPO, we see SECO as a structurally stronger company now, yet trading on materially less demanding multiples, leaving the stock undervalued compared to hardware and software peers.

In our view, consistent delivery on growth and profitability KPIs should progressively rebuild investor confidence, creating the conditions for a sustained equity rerating. Our framework emphasizes how the current mispricing can unwind over time, using a milestone-driven approach: as measurable KPIs are achieved, peer discounts narrow stepwise. This translates operational progress into incremental fair value recognition - a “block-by-block” rerating path that could ultimately take the shares back toward IPO and recent capital increase reference levels (i.e. €4.70 p/s by late 2026, should visibility on profitability milestones strengthen and the valuation framework naturally roll forward to FY27E multiples).

SECO: Multiples Sensitivity

Fair Equity Value p/s (€)	EV/EBITDA Adj. (x)			EV/EBIT Adj. (x)			P/E Adj. (x)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
3.10	11.9	10.2	8.4	22.1	19.8	14.5	28.6	25.9	19.3
3.35	12.7	10.8	9.0	23.6	21.2	15.5	30.9	28.0	20.9
3.60	13.5	11.5	9.6	25.1	22.5	16.6	33.2	30.1	22.4
3.85	14.3	12.2	10.2	26.6	23.9	17.6	35.5	32.2	24.0
4.10	15.1	12.9	10.8	28.1	25.3	18.6	37.8	34.3	25.5
4.35	15.9	13.6	11.4	29.6	26.6	19.7	40.1	36.4	27.1
4.60	16.7	14.3	12.0	31.1	28.0	20.7	42.4	38.5	28.6

Source: Value Track Analysis

Rolling Sum of the Parts Valuation

Our valuation relies on a rolling sum-of-the-parts (SOTP) framework, designed to capture SECO’s dual-business structure and its milestone-driven rerating path:

- **SOTP Methodology:** Edge Computing and Clea are valued separately at peer multiples (EV/EBITDA Adj. for hardware, EV/Sales for software), applying fair starting discounts and adjusting over time;
- **Rolling Consistency:** for visibility purposes we apply FY1 multiples for both hardware and software, but assume that starting from the last quarter of each fiscal year, investors begin to price in the following year’s estimates. This rolling mechanism ensures continuity and avoids distortions in fair value calculation. We also assume roughly one milestone per year, which provides a natural cadence to the narrowing of discounts and the progression of fair value;
- **Conditional Discounts vs. Peers:** discounts shrink as milestones are delivered and KPIs are met. For example, in our view, three consecutive quarters of double-digit growth, a group EBITDA >€50m with Clea >30% contribution, or net debt reduction to zero each justify partial closure of the valuation gap. The resulting fair values in our base case consistently map to an implied group multiple of around 12x EV/EBITDA Adj. FY1, which we view as the base case reference level;
- **Scenario Analysis:** our base case assumes financial recovery and gradual multiple expansion as execution milestones are achieved. A bear case foresees recovery without full rerating due to slower growth or delays, while a bull case envisions multiples expanding well above 12x, supported by accelerated execution. Notably, SECO traded at >27x EV/EBITDA Adj. NTM in late 2021, highlighting the significant headroom between our base case and historical valuation peaks.

Our roadmap to rerating is made of four consecutive milestones, each associated with operational KPIs and corresponding minimum fair value levels:

- Milestone #1 – Inflection Point in Growth y/y:** defensive achievement that has already been achieved thanks to the **end of consensus estimates downward revisions**;
- Milestone #2 – Steady Double-Digit Growth: three consecutive quarters of double-digit top line growth** justify a first rerating to €3.70 p/s , equivalent to the IPO price (May 2021), and potentially **€3.85 p/s** (~12x Group EV/EBITDA Adj. 2026E). Based on our current estimates, this milestone could be justified already by the end of 4Q25, when there should be sufficient visibility to expect double-digit growth also in 1Q26 (the third consecutive quarter). Achieving this milestone would therefore be the first “obligatory target” on SECO’s rerating path, marking not only the symbolic recovery of IPO value but also providing investors with tangible evidence of operational execution;

SECO: Sum of the Parts Valuation on FY26E (Milestone #2)

Fair Equity Value (€mn)	Edge Computing	Clea	SECO Group
Fair EV/Sales FY26E (x)		6.3	
Fair EV/EBITDA Adj. FY26E (x)	11.8		
Fair Enterprise Value	390.3	194.1	584.5
<i>As a % of Total</i>	67%	33%	100%
Implied EV/EBITDA Adj. FY26E (x)			12.3
Net Debt FY26E			40.5
EV Adjustments FY26E			32.2
Fair Equity Value			511.7
NOSH (mn)			133.0
Fair Equity Value p/s (€)			3.85

Source: FactSet, Value Track Analysis

- Milestone #3 – “All-Time High” EBITDA Level / Mix:** reflects a structural inflection in profitability and business mix. By FY27E, Edge Computing Adj. EBITDA should return to historic peak levels (~€40mn), while Clea should contribute over 30% of Group Adj. EBITDA, lifting consolidated Adj. EBITDA >€50mn. Even more importantly, in FY27E we expect Adj. Cash EBITDA (Adj. EBITDA net of capitalized R&D costs, good proxy to capture SECO’s underlying cash-generating potential from operations) to exceed FY23 historical peak (€37.5mn).

If visibility on these figures is strong enough, the valuation framework (12x Group EV/EBITDA Adj.) naturally shifts to FY27E multiples by late 2026. This would justify a rerating to ca. €4.70 p/s, equivalent to the reference price of the 7 Industries reserved capital increase (April-June 2023);

SECO: Sum of the Parts Valuation on FY27E (Milestone #3)

Fair Equity Value (€mn)	Edge Computing	Clea	SECO Group
Fair EV/Sales FY27E (x)		6.5	
Fair EV/EBITDA Adj. FY27E (x)	11.7		
Fair Enterprise Value	444.9	236.9	681.7
<i>As a % of Total</i>	65%	35%	100%
Implied EV/EBITDA Adj. FY27E (x)			12.3
Net Debt FY27E			24.5
EV Adjustments FY27E			32.2
Fair Equity Value			625.0
NOSH (mn)			133.0
Fair Equity Value p/s (€)			4.70

Source: FactSet, Value Track Analysis

4. **Milestone #4 – M&A / Other:** extends the rerating horizon into 2028 and beyond, adding medium-to-long term catalysts that are not included in our base case estimates. These drivers represent additional upside **“on top” of our valuation**, effectively free optionality, as they are difficult to quantify today but could materially reshape SECO’s profile once realized. Key medium-term catalysts include:
- **M&A:** with Net Debt expected to approach zero by FY28E, SECO would regain financial capacity to pursue external growth. However, M&A should only be undertaken if plain vanilla, strategically disciplined (targeting underpenetrated geographies or adjacent verticals) and strictly anti-dilutive (i.e. issuing equity only at >10x EV/EBITDA Adj.). This discipline is essential to preserve credibility with investors;
 - **Large Contracts:** the potential signing of multi-year agreements worth tens of millions would immediately scale SECO’s visibility and transform its competitive profile;
 - **Germany and Defense:** Germany accounted for ~30% of SECO’s FY24 revenues, making it the Group’s 2nd most relevant geography. The recently launched “Made for Germany” €631bn investment program (2024-28), aimed at industrial modernization, digitalization and defense, could act as a major catalyst. A rebound in German capex would surely benefit SECO’s IoT offering, while defense-related spending opens the door to sticky, long-cycle contracts.

At this stage, the market can ascribe higher multiples, supported by a debt-free balance sheet, increasing software mix, and visible scalability. This would justify additional fair value expansion, with all the above catalysts providing upside not currently embedded in our numbers.

SECO: Peers Trading Multiples

Peers	Mkt Cap (€mn)	EV/Sales (x)			EV/EBITDA (x)			EV/EBIT (x)			P/E Adj. (x)		
		FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2	FY3	FY1	FY2	FY3
Advantech Co., Ltd.	7,346	3.5	3.1	2.7	19.1	16.7	13.4	20.9	18.1	14.6	26.4	22.6	19.0
Adlink Technology Inc.	365	na	na	na	na	na	na	na	na	na	43.6	19.6	na
Kontron AG	1,456	0.9	0.8	0.7	6.6	6.2	5.4	9.2	9.2	7.6	10.2	11.4	10.0
Mercury Systems, Inc.	3,982	5.1	4.6	4.2	>30	24.9	19.8	>40	>40	>40	<0	>50	>50
Digi International Inc.	1,186	3.3	3.0	2.9	13.1	11.5	10.7	22.7	18.9	15.6	32.1	26.3	21.2
Raspberry PI Holdings plc	764	3.1	2.6	2.3	21.4	18.0	14.2	31.1	25.5	19.4	>50	41.9	30.8
Lantronix, Inc.	185	1.3	1.2	na	21.0	11.9	na	22.9	12.6	na	<0	<0	na
PTC Inc.	18,352	7.8	7.0	6.0	15.9	14.2	na	17.0	15.0	12.4	22.9	20.7	18.3
Advantech Co., Ltd.	4,205	3.6	3.2	3.1	16.2	14.8	12.7	20.6	16.5	13.9	27.1	23.8	19.8
Adlink Technology Inc.	1,321	3.3	3.0	2.8	17.5	14.2	13.4	21.8	16.6	14.6	26.4	21.7	19.0
SECO	430	2.6	2.2	2.0	12.3	10.5	8.8	22.9	20.5	15.1	29.8	27.1	20.1
Premium / Discount vs. Median (%)	-67%	-21%	-25%	-30%	-30%	-26%	-35%	5%	24%	3%	13%	25%	6%

Source: FactSet

Cross-Check: Discounted Cash Flow

While useful as a sanity check, the DCF plays a secondary role in our valuation framework. In our view, SECO’s rerating is likely to unfold progressively through the achievement of clear operational milestones, whereas the DCF outcome remains highly sensitive to long-term assumptions, particularly on growth, profitability, and discount rates, which are difficult to anchor at this strategic inflection point. That said, our DCF model yields a fair equity value of €4.82 p/s, based on current outstanding shares, a target capital structure at 20%, and a WACC of 8.3%. A summary of our WACC assumptions (primarily based on Damodaran datasets) is provided below.

SECO: WACC at Target Capital Structure

WACC Assumptions	Target Capital Structure
Risk-Free Rate (%)	2.0%
Capital Structure (D/D+E) (%)	20%
Unlevered Beta (x)	1.15
Levered Beta (x)	1.37
Market Risk Premium (Italy) (%)	5.5%
Credit Spread (%)	2.5%
Tax Rate (%)	24.0%
Cost of Equity (%)	9.5%
Cost of Debt (%)	3.4%
WACC (%)	8.3%

Source: Damodaran, Value Track Analysis

The model includes explicit free cash flows from FY26E to FY35E, with the terminal value calculated using a 3.0% perpetual growth rate.

SECO: DCF Valuation

DCF Valuation	(€mn)
Discounted Free Cash Flows FY26E-FY35E	206.0
Discounted Terminal Value with g=3.0%	512.7
Fair Enterprise Value	718.7
Net Debt FY25E	45.1
EV Adjustments FY25E	32.2
Fair Equity Value	641.4
NOSH (mn)	133.0
Fair Equity Value p/s (€)	4.82

Source: Value Track Analysis

SECO: DCF Sensitivity

Fair Equity Value p/s (€)		Perpetuity Growth Rate (%)				
		2.0%	2.5%	3.0%	3.5%	4.0%
WACC (%)	7.3%	5.25	5.71	6.27	6.99	7.92
	7.8%	4.67	5.03	5.47	6.01	6.70
	8.3%	4.18	4.47	4.82	5.24	5.76
	8.8%	3.77	4.01	4.29	4.62	5.03
	9.3%	3.41	3.61	3.84	4.11	4.43

Source: Value Track Analysis

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