

SECO

Technology

Good news on Cash generation and Orders

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 FY25: in-line sales, softer earnings, stronger cash

SECO posted a solid FY25, confirming improving commercial momentum, resilient profitability and a materially stronger balance-sheet position into year-end. Sales rose +7.7% YoY to €197.6mn (€200.7mn at CER), broadly in line with expectations and confirming a sustained recovery in demand, despite softer contribution of CLEA (€21.0mn, down -1% YoY). Profitability remained solid overall, with Gross Profit at €105.9mn and GPM at 53.6%, both consistent with expectations, confirming a sound revenue quality. Adj. EBITDA stood at €40.2mn (20.3% margin) and Adj. Net Profit at €13.1mn, landing ca. 2% and ca. 9% below our estimates, respectively. Also, Adj. Net Debt improved to €37.6mn (0.9x leverage), down from €41.3mn at FY24, €7.5mn better than our estimate, mainly thanks to €12.9mn positive ΔNWC in 4Q25, o/w €8mn was driven by inventory and a clear reduction in trade receivables of >€3mn.

Recent milestones strengthen SECO's credibility in Edge AI

YTD, SECO has delivered several strategic updates reinforcing its Edge AI positioning. In particular: **i)** Boeing stands out as the clearest proof-point of execution in a mission-critical aerospace & defense program; **ii)** Intel confirms continued alignment with next-generation embedded and AI roadmaps; **iii)** Qualcomm broadens the AI angle, supporting a more diversified and flexible Edge AI offering.

FY25 Results Prompt Revisions, FY27E Equity Story Intact

Following FY25 results, we revise our forecasts with Net Sales cut by ca. 3%, while Adj. EBITDA, Adj. Net Profit and Adj. Net Debt remain broadly unchanged. That said, the medium-term investment case remains intact. By FY27E, we continue to forecast: **i)** Net Sales of €241.1mn, **ii)** Adj. EBITDA of €55.2mn (equivalent to a margin just below 23%), and **iii)** Adj. Net Debt declining to €24.5mn (0.44x).

Fair Value substantially unchanged at €3.70 p/s

We fine tune our FV to €3.70 p/s from €3.85 p/s, while leaving the investment case unchanged. In our view, FY25 results confirm that SECO has reached an inflection point, with improving fundamentals still not fully reflected in valuation. Continued delivery on growth and margin targets should progressively support a milestone-based rerating path, with upside potential toward ca. €4.45 p/s by late FY26E as visibility on profitability milestones improves.

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FAIR VALUE (€) **3.70**

MARKET PRICE (€) **2.56**

MARKET CAP (€mn) **340.5**

KEY FINANCIALS	FY25	FY26E	FY27E
NET SALES	197.6	218.5	241.1
ADJ. EBITDA	40.2	47.7	55.2
ADJ. EBIT	21.4	24.4	31.9
ADJ. NET PROFIT	13.1	16.1	21.3
NET EQUITY	294.5	308.1	328.8
ADJ. NET DEBT (-) / NET CASH (+)	-37.6	-40.6	-24.5
ADJ. EPS	0.10	0.12	0.16
DPS	0.00	0.00	0.00

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

RATIOS AND MULTIPLES	FY25	FY26E	FY27E
ADJ. EBITDA MARGIN (%)	20.3	21.8	22.9
ADJ. EBIT MARGIN (%)	10.8	11.2	13.2
ADJ. NET DEBT / ADJ. EBITDA (x)	0.9	0.9	0.4
ADJ. NET DEBT / NET EQUITY (x)	0.1	0.1	0.1
ADJ. ROE (%)	3.6	4.2	5.5
EV / SALES (x)	2.1	1.9	1.6
EV / EBITDA ADJ. (x)	10.2	8.7	7.2
EV / EBIT ADJ. (x)	19.2	16.9	12.5
P / E ADJ. (x)	26.0	21.1	16.0

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

STOCK DATA	
MARKET PRICE (€)	2.56
NOSH (mn)	133.0
MARKET CAP (€mn)	340.5
ENTERPRISE VALUE (€mn)	413.5
FREE FLOAT (%)	27.9
AVG L30D VOLUME	214,636
RIC / BBG	IOT.MI / IOTIM
52 WK MAX (€)	3.61
52 WK MIN (€)	1.54

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)	FY25	FY26E	FY27E
Net Sales	197.6	218.5	241.1
YoY (%)	8%	11%	10%
Adj. EBITDA	40.2	47.7	55.2
Adj. EBITDA Margin (%)	20%	22%	23%
Adj. EBIT	21.4	24.4	31.9
Adj. EBIT Margin (%)	11%	11%	13%
Adj. Net Profit	13.1	16.1	21.3
YoY (%)	nm	23%	32%
Adj. Total Comprehensive Income	15.5	16.1	21.3
YoY (%)	-4%	4%	32%
Adj. Net Financial Position	-37.6	-40.6	-24.5
Adj. Net. Fin. Pos. / EBITDA (x)	0.9	0.9	0.4
Capex	-18.0	-26.0	-22.0
OpFCF b.t.	22.5	12.3	27.3
OpFCF b.t. / Adj. EBITDA (%)	56%	26%	49%

Source: SECO, Value Track Analysis

Investment Case

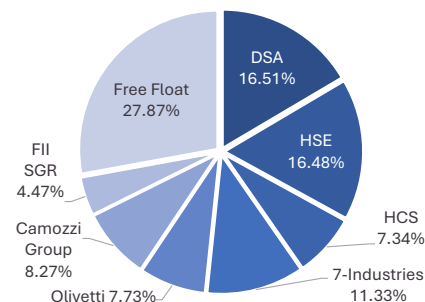
Strengths / Opportunities

- 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

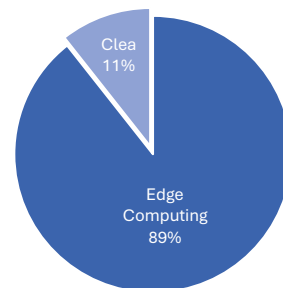
- Smaller scale vs. global competitors;
- Sensitive to macroeconomic swings and industrial capex cycles;
- Dependence on electronic components shortages and price volatility.

SHAREHOLDERS' STRUCTURE



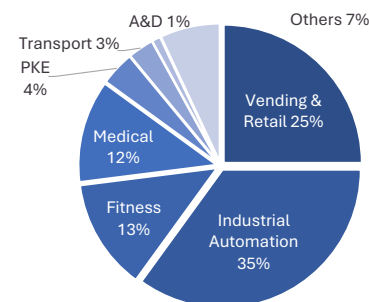
Source: SECO

NET SALES BY SOLUTION



Source: SECO, FY25

NET SALES BY VERTICAL



Source: SECO, FY25

STOCK MULTIPLES @ FV	FY26E	FY27E
EV / SALES (x)	2.6	2.3
EV / EBITDAADJ. (x)	11.8	10.0
EV / EBITADJ. (x)	23.1	17.2
EV / CAP. EMPLOYED	1.6	1.6
OpFCF Yield (%)	2.2	5.0
P/E ADJ. (x)	30.5	23.1
P/BV (x)	1.6	1.5
Dividend Yield (%)	0.0	0.0

Source: Value Track Analysis

FY25 Results

Key Figures & Messages

FY25 marks an inflection point, with revenues back to growth, Adj. EBITDA margin above 20% and leverage back below 1x. While Net Sales and Adj. Gross Profit were broadly in line with our estimates, Adj. EBITDA and Adj. Net Profit came in modestly below expectations. On the balance-sheet side, however, the Group delivered a stronger-than-expected outcome, with Net Debt better than forecast thanks to solid cash generation and positive NWC dynamics. Overall, we continue to see the FY25 picture as constructive, with SECO entering FY26E from a stronger operational and financial base. In detail, FY25 results show:

- **Net Sales at €197.6mn**, up +7.7% YoY vs €183.5mn in FY24, or €200.7mn at Constant Exchange Rate - CER, broadly in line with our expectations, confirming a sustained improvement in demand through the year, supported by recovering customer orders and a rebound in volumes, particularly in the US and APAC, while EMEA remained held back by weakness in Germany. In particular:
 - Edge Computing at €176.6mn (+1% vs est.), up +9% YoY (€162.2mn in FY24), confirming that the recovery stayed primarily driven by the Group's core embedded hardware & system solutions activities, with the best-performing verticals being medical, industrial, fitness and transport;
 - CLEA at €21.0mn (-8% vs est., due to a delay in 4Q25), down -1% YoY (€21.3mn in FY24), reflecting a softer contribution from the platform business, mainly attributable to a shift in part of the non-recurring component as projects move into the deployment stage and devices are gradually connected to the platform, which we continue to view as more a matter of timing and mix than a change in the underlying strategic trajectory;
- **Adj. Gross Profit at €105.9mn**, with a Gross Margin of 53.6%, broadly in line with expectations. This reflected a still favorable sales mix, albeit a less supportive customer/product mix and some temporary pressure from higher memory, GPU and CPU costs;
- **Adj. EBITDA at €40.2mn**, corresponding to an Adj. EBITDA Margin of 20.3%, vs €28.2mn / 15.4% in FY24. The marked YoY improvement confirms solid underlying profitability, with the more-than-proportional earnings growth driven by higher business volumes and the resulting operating leverage, also supported by an OpEx base lower by ca. €3mn, mainly due to lower reliance on external manufacturing and higher in-house production; the result, however, came in ca. 2% below our estimate;
- **Adj. Net Profit at €13.1mn**, vs €1.4mn in FY24, up sharply YoY but ca. 9% below our estimate; the increase was nonetheless supported by a tax line that remained broadly under control, with taxes only slightly higher despite stronger profitability, helped by effective tax management, the Italian tax consolidation regime and the patent box;
- **Adj. Net Debt at €37.6mn** (leverage at 0.9x), vs €41.3mn at FY24 and €7.5mn better than our estimate. The outperformance was mainly driven by a €12.9mn NWC inflow in 4Q25, including ca. €8mn from inventory and a reduction of more than €3mn in trade receivables, despite €4.9mn of extraordinary cash outflows related to the new Arezzo plant and the setup of new lines in Hangzhou.

SECO: Key Financials FY24-FY25

Key Financials (IAS, €mn)	FY24	FY25	YoY	FY25E	Chg. (%)
Net Sales	183.5	197.6	8%	197.5	0%
Adj. Gross Profit	96.8	105.9	9%	105.6	0%
Adj. Gross Margin (%)	53%	54%	85bps	53%	10bps
Adj. EBITDA	28.2	40.2	43%	41.2	-2%
Adj. EBITDA Margin (%)	15%	20%	497bps	21%	-53bps
Adj. Net Profit	1.4	13.1	836%	14.4	-9%
Adj. Net Debt	-41.3	-37.6	3.7	-45.1	7.5

Source: SECO, Value Track Analysis

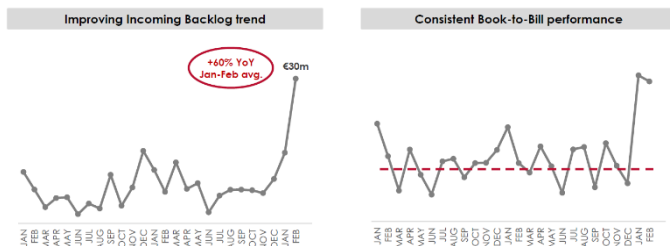
Additional takeaways from the **Management Earnings Call** were:

- **Memory procurement was flagged as an area of attention**, with management noting that the Group has already secured ca. 92–93% of FY26E memory demand (and around half of FY27 needs), a prudent move ahead of what it sees as a likely tightening in procurement conditions and a potential re-emergence of supply-chain pressure;
- **Pricing actions are being implemented to protect margins**, with management indicating that targeted price increases should help mitigate the pressure from higher memory-component costs through 2026; gross margin is expected to remain under some pressure in 1Q26, with a recovery more likely from 2Q26 onwards;
- **The new Arezzo plant remained a key investment focus**, with management indicating that the main benefits should emerge below the gross profit line, mainly through efficiency gains and a leaner cost base; initial utilization is expected at around 60–65%, leaving ample room to support growth over the coming years;
- Management remained confident on the commercial backdrop, highlighting a very strong order trend, with **February order intake above €30mn**, described as an all-time monthly record, and a book-to-bill well above 1x, supporting a constructive read-across into FY26E;
- **1Q26 guidance set a relatively soft floor**, with management indicating **revenues of at least €49mn**; at face value, this implies only ca. +4% YoY growth, which looks somewhat underwhelming, particularly against an easy comparison base given that 1Q25 Net Sales were down -14% YoY. No indication was provided on gross margin, limiting visibility on the underlying quality of the guided top-line progression.

SECO: Order Intake and Book-to-Bill evolution

Record Incoming backlog in February

Strengthening customer activity reflected in positive order momentum, contributing to backlog growth and visibility



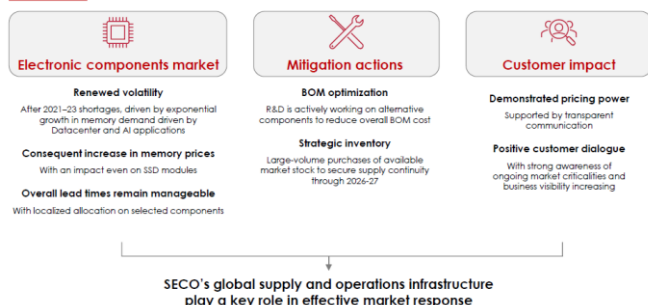
Source: SECO

Update on the new Arezzo plant



SECO: Supply Chain Market and 1Q26E guidance

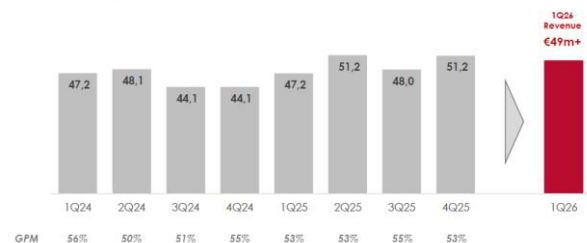
Supply chain market update: 2026 a challenging year



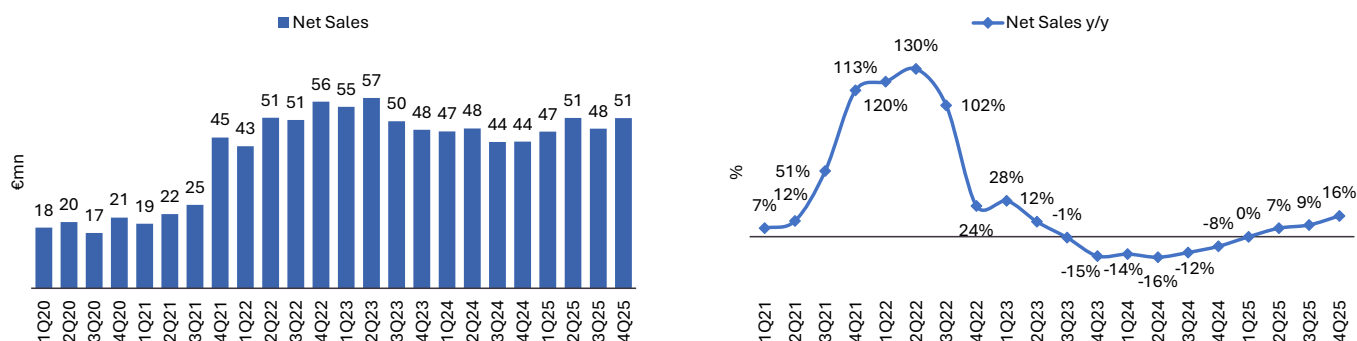
Source: SECO

1Q26 guidance

While the environment remains complex, the year is starting on a strong pace, supported by robust demand for Edge AI-driven solutions



SECO: Net Sales by Quarters



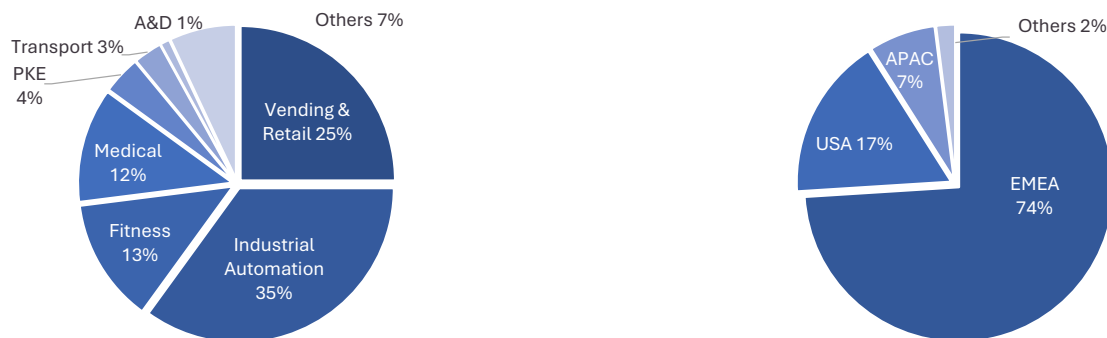
Source: SECO, Value Track Analysis

SECO: Net Sales by Solution FY23-FY25

Net Sales (IAS, €mn)	FY23	FY24	FY25	YoY	FY25E	Chg. (%)
Edge Computing	187.3	162.2	176.6	9%	174.5	1%
YoY (%)	3%	-13%	9%	//	8%	//
As a % of Total	89%	88%	89%	//	88%	//
Clea	22.5	21.3	21.0	-2%	22.9	-8%
YoY (%)	22%	-5%	-2%	//	8%	//
As a % of Total	11%	12%	11%	//	12%	//
Net Sales	209.8	183.5	197.6	8%	197.5	0%

Source:SECO, Value Track Analysis

SECO: Net Sales by Vertical and by Geography FY25



Source: SECO, Value Track Analysis

SECO: EBITDA Adjustments FY23-FY25

EBITDA Adjustments (IAS, €mn)	FY23	FY24	FY25	YoY
EBITDA	45.0	15.6	33.0	111%
EBITDA Margin (%)	21.5%	8.5%	16.7%	820bps
Exchange Gains / Losses	0.0	-1.2	1.5	-226%
Income / Charges Non-Core Activities	5.6	13.8	5.6 (*)	-59%
Non-Recurring Income / Charges Core Act.	0.0	0.0	0.1	nm
Adj. EBITDA	50.6	28.2	40.2	43%
Adj. EBITDA Margin (%)	24.1%	15.4%	20.3%	497bps

Source:SECO, Value Track Analysis; (*) o/w €5.3mn Stock Option Plan actuarial value

Financial Statements FY24-FY25

SECO: Profit & Loss FY24-FY25

P&L (IAS, €mn)	FY24	FY25	YoY
Net Sales	183.5	197.6	8%
Consumption Costs (incl. Δ Inventory)	-90.9	-91.7	1%
Adjustments	4.2	0.0	-99%
Gross Profit	96.8	105.9	9%
<i>Gross Profit Margin (%)</i>	<i>52.7%</i>	<i>53.6%</i>	<i>85bps</i>
Costs for Services	-28.8	-24.3	-16%
Personnel Costs	-42.2	-44.1	4%
Other Revenue / Costs / Adjustments	2.5	2.7	9%
Adj. EBITDA	28.2	40.2	43%
<i>Adj. EBITDA Margin (%)</i>	<i>15.4%</i>	<i>20.3%</i>	<i>497bps</i>
D&A	-30.0	-24.3	-19%
Others / Adjustments	8.6	5.5	-36%
Adj. EBIT	6.8	21.4	215%
<i>Adj. EBIT Margin (%)</i>	<i>3.7%</i>	<i>10.8%</i>	<i>24bps</i>
Net Financial Charges (incl. FX)	-1.0	-8.3	746%
Taxes	-1.1	-1.4	29%
Adjustments	-3.3	1.4	nm
Adj. Net Profit	1.4	13.1	836%

Source: SECO, Value Track Analysis

SECO: Balance Sheet FY24-FY25

Balance Sheet (IAS, €mn)	FY24	FY25
Net Fixed Assets	297.4	296.8
Net Working Capital	66.5	66.3
Provisions	30.9	31.0
Total Capital Employed	333.0	332.1
Group Net Equity	291.7	294.5
Adj. Net Financial Position	-41.3	-37.6
<i>Adj. Net Financial Position / Adj. EBITDA (x)</i>	<i>1.46x</i>	<i>0.94x</i>

Source: SECO, Value Track Analysis

SECO: Cash Flow Statement FY24-FY25

Cash Flow Statement (IAS, €mn)	FY24	FY25
Adj. EBITDA	28.2	40.2
Δ Net Working Capital (incl. Prov.)	18.0	0.3
Capex (excl. Fin. Investments)	-20.5	-18.0
OpFCF (b.t.)	25.7	22.5
<i>As a % of Adj. EBITDA</i>	<i>91%</i>	<i>56%</i>
Cash Taxes	-1.1	-1.4
Dividends Paid	-3.1	-0.1
Net Financial Charges	-1.0	-8.3
Other	-9.8	-9.0
Δ Adj. Net Financial Position	10.7	3.7

Source: SECO, Value Track Analysis

Business Developments YTD

SECO has released several relevant commercial and technology updates so far this year which, while not materially changing the near-term financial picture, further strengthen the Group's strategic positioning. At Embedded World 2026, the Group provided its clearest articulation to date of a broader Edge AI platform strategy, highlighting its ambition to move beyond pure embedded hardware and further up the value chain through compute modules, software enablement, cybersecurity and device lifecycle management capabilities.

Against this backdrop, we see three key YTD takeaways:

- 1# Intel reinforces product relevance;**
- 2# Boeing emerges as the clearest proof-point;**
- 3# Qualcomm adds breadth to the AI story.**

1# Intel reinforces product relevance

On January 6th, SECO announced the launch of the SOM-COMe-BT6-PTL, a new COM Express Type 6 module based on **Intel Core Ultra Series 3 processors**. While not transformational in itself, the announcement is strategically supportive, as it confirms SECO's ability to keep its product offering aligned with the latest silicon roadmaps and with the increasing convergence of **embedded computing and on-device AI inference**. The module targets latency-sensitive applications such as industrial automation, smart retail, medical imaging and machine vision, highlighting SECO's ability to rapidly translate next-generation processors into deployable industrial-grade solutions. The message, in our view, is less about a single launch and more about continued execution on product refresh and roadmap alignment. Overall, the announcement supports SECO's product relevance in markets where performance, power efficiency and AI capabilities are becoming increasingly intertwined.

2# Boeing emerges as the clearest proof-point

On January 23rd, SECO announced the successful design certification of the **MQ-25A Deck Control Device**, marking a key milestone in its collaboration with **Boeing**. In our view, this is the strongest signal within the recent news flow, as it points to actual execution in a mission-critical, high-barrier aerospace and defense environment rather than to a standard product launch. Through SECO USA, the Group acted as a key supplier in the development and delivery of the deck handling system for the U.S. Navy's MQ-25A Stingray. The industrial relevance of the announcement is further strengthened by the fact that the release explicitly refers to the Boeing collaboration as a "**significant multi-decade contract**", adding a degree of visibility and substance that goes well beyond pure technological showcasing. Overall, this looks like the clearest validation so far of SECO's ability to execute on complex, high-value programs.

3# Qualcomm adds breadth to the AI story

On February 26th, SECO announced a portfolio of **Qualcomm Dragonwing-based Edge AI solutions** centered on the SOM-COMe-CT6-Dragonwing-IQ-X and complemented by additional SMARC and COM-HPC Mini developments. The announcement highlighted SECO's ability to address secure, high-performance and cloud-independent AI applications across a range of industrial use cases and form factors, thereby broadening the scope of its Edge AI offering. More importantly, the release pointed to a broader software-enabled Edge AI proposition, **supported by the SECO Application Hub, Developer Center, Edge Impulse integration** for model training and optimization, and Clea for secure deployment, lifecycle management, monitoring, OTA updates and fleet management. In our view, this is particularly relevant because it shows SECO increasingly framing its proposition not just around hardware platforms, but around a wider enablement stack. As such, the announcement reinforces SECO's positioning beyond pure embedded hardware and adds further substance to its broader Edge AI strategy.

Forecasts FY26E-28E

Estimates Review

Following the release of FY25 results, we fine-tuned our estimates, while leaving the broader earnings trajectory substantially unchanged. We believe the latest figures are broadly consistent with the assumptions laid out in our Initiation Report last September, namely a solid growth profile and a progressive margin improvement driven by operating leverage. In more detail, our revised forecasts reflect:

- **Net Sales** cut by ca.3% vs. previous estimates in both FY26E and FY27E, although still pointing to a healthy constant-currency growth profile of +12% in FY26E and +11% in FY27E;
- **Gross Profit** lowered by ca.3%, in line with the top-line revision and reflecting the mechanical impact of the lower revenue base;
- **Adj. EBITDA** unchanged, as the lower gross profit is fully offset by better operating leverage at OpEx level, with margins marginally improved by ca. 45-55bps vs. our previous estimates;
- **Adj. Net Debt** left unchanged, notwithstanding the strong FY25 improvement, as we assume part of the balance sheet upside may be retained to safeguard margin resilience.

SECO: Estimates Old vs. New

Key Financials (IAS, €mn)	FY26E			FY27E		
	Old	New	Δ	Old	New	Δ
Net Sales	224.5	218.5	-3%	247.8	241.1	-3%
YoY (%)	14%	11%	-309bps	10%	10%	-6bps
Adj. EBITDA	47.8	47.7	0%	55.5	55.2	-1%
Adj. EBITDA Margin (%)	21%	22%	55bps	22%	23%	47bps
Adj. EBIT	24.5	24.4	0%	32.3	31.9	-1%
Adj. EBIT Margin (%)	11%	11%	27bps	13%	13%	21bps
Adj. Net Profit	15.9	16.1	1%	21.4	21.3	0%
Adj. Net Debt	-40.5	-40.6	-0.1	-24.5	-24.5	0.0

Source: Value Track Analysis

Key Forecasts & Drivers

Our revised estimates now incorporate FY25 as a historical base, and we continue to forecast solid growth through FY27E, together with a return to peak operating margins and strong FCF generation. By **FY27E**, we forecast:

- **Net Sales** of **€241.1mn**, implying a FY25–27E CAGR of +10%;
- **Adj. EBITDA** of **€55.2mn**, corresponding to a +17% CAGR and a margin of just below 23%;
- **Adj. Net Debt** of **€24.5mn**, resulting in leverage declining to 0.44x Adj. EBITDA.

We see this financial trajectory underpinned by three main drivers:

1. **Exposure to structurally attractive end markets, combined with a well-positioned product offering;**
2. **Progressively more accretive revenue mix, driving operating profitability higher;**
3. **Improved cash conversion, supporting a stronger deleveraging profile.**

SECO: Net Sales by Solution FY25-27E

Net Sales (IAS, €mn)	FY25	FY26E	FY27E	CAGR
Edge Computing	176.6	190.5	206.2	8%
YoY	9%	8%	8%	//
As a % of Total	89%	87%	86%	//
Clea	21.0	28.0	34.9	29%
YoY	-2%	33%	25%	//
As a % of Total	11%	13%	14%	//
Net Sales	197.6	218.5	241.1	10%
YoY	8%	11%	10%	//

Source: SECO, Value Track Analysis

SECO: EBITDA Adjustments FY25-27E

EBITDA Adjustments (IAS, €mn)	FY25	FY26E	FY27E	CAGR
EBITDA	33.0	45.2	54.7	29%
EBITDA Margin (%)	16.7%	20.7%	22.7%	596bps
Adjustments	7.2	2.5	0.5	nm
Adj. EBITDA	40.2	47.7	55.2	17%
Adj. EBITDA Margin (%)	20.3%	21.8%	22.9%	254bps
Capitalized Development Costs	-17.1	-16.0	-16.0	-3%
Cash Adjustments	0.0	0.0	0.0	-100%
Adj. Cash EBITDA	23.1	31.7	39.2	30%
Adj. Cash EBITDA Margin (%)	11.7%	14.5%	16.2%	456bps

Source: SECO, Value Track Analysis

Financial Statements FY25-27E

SECO: Profit & Loss FY25-27E

P&L (IAS, €mn)	FY25	FY26E	FY27E	CAGR
Net Sales	197.6	218.5	241.1	10%
Consumption Costs (incl. Δ Inventory)	-91.7	-102.0	-110.4	10%
Adjustments	0.0	0.0	0.0	nm
Adj. Gross Profit	105.9	116.5	130.7	11%
Adj. Gross Profit Margin (%)	53.6%	53.3%	54.2%	60bps
Costs for Services	-24.3	-22.6	-23.2	-2%
Personnel Costs	-44.1	-46.5	-49.4	6%
Other Revenue / Costs / Adjustments	2.7	0.3	-2.9	nm
Adj. EBITDA	40.2	47.7	55.2	17%
Adj. EBITDA Margin (%)	20.3%	21.8%	22.9%	254bps
D&A	-24.3	-23.3	-23.3	-2%
Others / Adjustments	5.5	0.0	0.0	-100%
Adj. EBIT	21.4	24.4	31.9	22%
Adj. EBIT Margin (%)	10.8%	11.2%	13.2%	240bps
Net Financial Charges (incl. FX)	-8.3	-3.0	-2.6	-44%
Taxes	-1.4	-5.3	-8.0	137%
Adjustments	1.4	0.0	0.0	-100%
Adj. Net Profit	13.1	16.1	21.3	27%

Source: SECO, Value Track Analysis

SECO: Balance Sheet FY25-27E

Balance Sheet (IAS, €mn)	FY25	FY26E	FY27E
Net Fixed Assets	296.8	304.0	302.7
Net Working Capital	66.3	76.0	82.1
Provisions	31.0	31.3	31.5
Total Capital Employed	332.1	348.7	353.3
Group Net Equity	294.5	308.1	328.8
Adj. Net Financial Position	-37.6	-40.6	-24.5

Source: SECO, Value Track Analysis

SECO: Cash Flow Statement FY25-27E

Cash Flow Statement (IAS, €mn)	FY25	FY26E	FY27E
Adj. EBITDA	40.2	47.7	55.2
Δ Net Working Capital (incl. Prov.)	0.3	-9.4	-5.9
Capex (excl. Fin. Investments)	-18.0	-26.0	-22.0
OpFCF (b.t.)	22.5	12.3	27.3
As a % of Adj. EBITDA	56%	26%	49%
Cash Taxes	-1.4	-5.3	-8.0
Net Financial Charges	-8.3	-3.0	-2.6
Others	-9.1	-7.0	-0.5
Δ Adj. Net Financial Position	3.7	-3.0	16.1

Source: SECO, Value Track Analysis

Valuation

Fair Value substantially unchanged at €3.70 p/s

With our revised estimates, we update our **Fair Value to €3.70 p/s** (from €3.85 p/s) based on our existing valuation methodology (for full details, see our Initiation Report published in Sep-2025).

FY25 results further support our view that SECO has reached an inflection point, with macro normalization and company-specific momentum underpinning the group's next phase of growth. Relative to the IPO, we believe SECO is now a structurally stronger company, yet still trading on materially less demanding multiples, which in our view leaves the stock undervalued relative to both hardware and software peers.

In our view, consistent delivery on growth and profitability KPIs should progressively rebuild investor confidence and create the conditions for a sustained rerating. Our framework highlights how this valuation gap may close over time through a milestone-driven path: as tangible KPIs are delivered, the discount versus peers can narrow step by step. This supports a gradual “block-by-block” rerating process, whereby operational execution is translated into incremental fair value recognition, potentially bringing the shares back toward IPO and recent capital increase reference levels over time.

SECO: Multiples Sensitivity

Fair Equity Value p/s (€)	EV/EBITDA Adj. (x)			EV/EBIT Adj. (x)			P/E Adj. (x)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
2.95	2.1	1.9	1.6	9.8	8.1	7.2	24.4	18.5	14.4
3.20	2.3	2.0	1.8	10.5	8.7	7.7	26.4	20.0	15.6
3.45	2.4	2.1	1.9	11.2	9.3	8.3	28.5	21.6	16.8
3.70	2.6	2.3	2.0	11.8	10.0	8.8	30.5	23.1	18.0
3.95	2.7	2.4	2.1	12.5	10.6	9.4	32.6	24.7	19.2
4.20	2.9	2.6	2.3	13.2	11.2	9.9	34.7	26.3	20.4
4.45	3.0	2.7	2.4	13.9	11.8	10.5	36.7	27.8	21.7

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 YoY:** 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. Compared to our initial roadmap, however, we now see this milestone being reached later than previously expected, as management guidance suggests that 1Q26 is unlikely to deliver double-digit YoY growth. At the same time, SECO has already posted double-digit growth in 3Q25 and 4Q25, while the record backlog reached in February — at a six-month all-time high — provides solid underlying support to revenues, even if it typically takes around six months to be converted into sales. In the current environment, still affected by a degree of macro and demand uncertainty, this leads us to adopt a more prudent stance on the timing of the rerating. As a result, we continue to view **€3.70 p/s** as the appropriate first fair value step, although reached on a slightly more delayed path than originally envisaged.

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

Fair Equity Value (€mn)	Edge Computing	Clea	SECO Group
Fair EV/Sales FY26E (x)		5.0	
Fair EV/EBITDA Adj. FY26E (x)	12.4		
Fair Enterprise Value	424.9	139.5	564.4
<i>As a % of Total</i>	75%	25%	100%
Implied EV/EBITDA Adj. FY26E (x)			11.8
Net Debt FY26E			40.6
EV Adjustments FY26E			32.4
Fair Equity Value			491.4
NOSH (mn)			133.0
Fair Equity Value p/s (€)			3.70

Source: FactSet, Value Track Analysis

- Milestone #3 – “All-Time High” EBITDA Level / Mix:** reflects a structural step-up in profitability and business mix. By FY27E, we expect Edge Computing Adj. EBITDA to return to historical peak levels (ca. €40mn), while Clea should account for more than 30% of Group Adj. EBITDA, taking consolidated Adj. EBITDA above €50mn. Importantly, we also expect FY27E Adj. Cash EBITDA (Adj. EBITDA net of capitalized R&D costs, which we view as a good proxy for underlying cash generation) to exceed the FY23 peak of €37.5mn.

If visibility on these metrics strengthens sufficiently, the valuation framework (ca. 12x Group EV/EBITDA Adj.) would naturally shift to FY27E multiples by late 2026, supporting a fair value of ca. €4.45 p/s.

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

Fair Equity Value (€mn)	Edge Computing	Clea	SECO Group
Fair EV/Sales FY27E (x)		5.6	
Fair EV/EBITDA Adj. FY27E (x)	11.8		
Fair Enterprise Value	453.3	195.3	648.6
<i>As a % of Total</i>	70%	30%	100%
Implied EV/EBITDA Adj. FY27E (x)			11.8
Net Debt FY27E			24.5
EV Adjustments FY27E			32.4
Fair Equity Value			591.8
NOSH (mn)			133.0
Fair Equity Value p/s (€)			4.45

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 remains a relevant geography for SECO, although it was the only area to record a double-digit decline in FY25, due to the weak economic and industrial environment. Still, the return to growth in the German-speaking area in 4Q25 points to early signs of stabilization. In this context, the “Made for Germany” €631bn investment plan (2024–28), targeting industrial modernization, digitalization and defense, could represent a meaningful catalyst. A rebound in German capex would be supportive for SECO’s IoT business, while higher defense spending could translate into sticky, long-duration 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.	7,768	3.3	3.0	2.5	17.6	15.0	11.3	19.3	16.4	12.0	23.8	20.7	15.2
Adlink Technology Inc.	350	na	na	na	na	na	na	na	na	na	15.0	12.2	na
Kontron AG	1,264	0.8	0.7	0.6	5.6	4.7	3.7	8.2	6.7	4.7	10.4	8.9	6.1
Mercury Systems, Inc.	4,301	5.4	4.9	4.3	>30	26.1	20.8	<0	>40	>40	<0	>50	>50
Digi International Inc.	1,698	3.7	3.5	3.3	14.3	12.8	12.6	24.1	20.2	17.2	36.8	29.2	28.2
Raspberry PI Holdings plc	747	2.3	2.0	1.7	20.1	15.9	12.5	31.4	23.9	19.6	>50	41.7	30.3
Lantronix, Inc.	210	1.0	0.9	0.8	17.5	8.9	na	19.2	9.4	6.0	<0	>50	na
PTC Inc.	15,862	7.1	6.6	5.9	14.8	13.4	11.4	15.6	14.4	12.4	20.3	19.1	16.8
Advantech Co., Ltd.	4,025	3.4	3.1	2.7	15.0	13.8	12.0	19.6	15.2	12.0	21.2	21.9	19.3
Adlink Technology Inc.	1,481	3.3	3.0	2.5	16.2	13.4	11.9	19.2	15.4	12.2	20.3	19.9	16.8
SECO	341	1.9	1.6	1.4	8.7	7.2	6.3	16.9	12.5	9.7	21.1	16.0	12.5
Premium / Discount vs. Median (%)	-77%	-43%	-44%	-43%	-46%	-46%	-47%	-12%	-19%	-20%	4%	-20%	-26%

Source: FactSet

Cross-Check: Discounted Cash Flow

We view the DCF primarily as a valuation cross-check rather than the core of our framework. In our opinion, SECO’s rerating is more likely to emerge progressively through the delivery of visible operational milestones, while the DCF remains particularly exposed to long-term assumptions on growth, profitability and discount rates — variables that are still difficult to anchor at this stage. Our DCF implies a fair equity value of €4.58 p/s, based on the current share count, a target capital structure with 20% debt, and a WACC of 8.3%. A summary of the underlying WACC assumptions, mostly 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) (%)	20.0%
Unlevered Beta (x)	1.15
Levered Beta (x)	1.37
Market Risk Premium (Italy & Others) (%)	5.50%
Credit Spread (%)	2.50%
Tax Rate (%)	24.0%
Cost of Equity (%)	9.53%
Cost of Debt (%)	3.42%
WACC (%)	8.31%

Source: Damodaran, Value Track Analysis

The model includes explicit FCF 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	190.2
Discounted Terminal Value with g=3.0%	488.5
Fair Enterprise Value	678.6
Net Debt FY25A	37.6
EV Adjustments FY25A	32.4
Fair Equity Value	608.7
NOSH (mn)	133.0
Fair Equity Value p/s (€)	4.58

Source: Value Track Analysis

SECO: DCF Sensitivity

Fair Equity Value p/s (€)		Perpetuity Growth Rate (%)				
		2.00%	2.50%	3.00%	3.50%	4.00%
WACC (%)	7.31%	4.98	5.42	5.96	6.64	7.52
	7.81%	4.43	4.77	5.19	5.71	6.36
	8.31%	3.96	4.24	4.58	4.98	5.47
	8.81%	3.57	3.80	4.07	4.39	4.77
	9.31%	3.23	3.42	3.64	3.90	4.21

Source: Value Track Analysis

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