

SECO

Sector: Industrials

NEUTRAL

Price: Eu2.75 - Target: Eu2.70

Earnings Revision Turns Positive, But Market Moved First and Strongly

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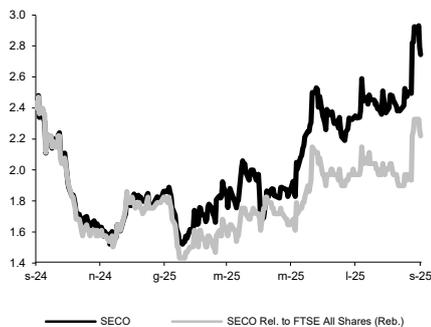
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 2.05 to 2.70		
	2025E	2026E	2027E
Chg in Adj EPS	6.9%	2.5%	1.1%

Next Event

 2Q Results Out on Sep 8th

SECO - 12M Performance



Stock Data

Reuters code: IOT.MI
 Bloomberg code: IOT IM

Performance	1M	3M	12M
Absolute	15.8%	17.8%	12.7%
Relative	11.4%	13.6%	-10.3%
12M (H/L)	2.93/1.52		
3M Average Volume (th):	126.33		

Shareholder Data

No. of Ord shares (mn):	133
Total no. of shares (mn):	133
Mkt Cap Ord (Eu mn):	365
Total Mkt Cap (Eu mn):	365
Mkt Float - Ord (Eu mn):	110
Mkt Float (in %):	30.3%
Main Shareholder:	
DSA Srl	16.6%

Balance Sheet Data

Book Value (Eu mn):	299
BVPS (Eu):	2.02
P/BV:	1.4
Net Financial Position (Eu mn):	-51
Enterprise Value (Eu mn):	450

In this update report, we are raising our estimates slightly — now coming more into line with consensus on FY25, although we are still marginally below on FY26/27— following the positive indications from preliminary data on revenue and gross margin released back in July, as well as encouraging expectations for margins, as emerged from yesterday's pre-close call. From a valuation perspective, we reiterate our NEUTRAL view and increase our DCF-driven target price to €2.70 (from €2.05), primarily reflecting a lower equity risk premium and, to a lesser extent, our estimate revisions. At our TP (23x EV/EBIT and 37x adj. P/E on FY25 estimates) SECO would trade almost in line with the relative valuation of our selected peers. We believe the recent stock re-rating (slight increase in EPS vs. a +30% market performance since our previous publication in May) already factors in greater stability of consensus estimates, anticipating a more gradual recovery in market demand.

- **2Q preliminary data confirm revenue inflection point.** Preliminary figures confirmed a return to top line growth, with quarterly revenues surpassing the €50mn mark for the first time since 4Q23. Indeed, net sales reached €51mn in 2Q, up 6% YoY and above guidance (>€50mn), with steady QoQ growth. The Edge Computing segment generated €45mn in revenues, up +5% YoY, while CLEA reached €6mn, up +17%, with the recurring component amounting to €2.1mn, broadly flat QoQ. Gross profit came in at €24.4mn, +15% YoY, with a 53.8% margin (from 49.5% in 2Q24 and 53.2% in 1Q25), ahead of the guidance floor (>50%).
- **2Q profitability and cash flow preview.** We are forecasting adj. EBITDA at €10.7mn (almost doubled YoY), i.e. a 20.8% margin (11.2% in 2Q24). On cashflow, we expect adj. net debt to have closed at €50.3mn, broadly unchanged QoQ, as cash earnings are expected to have been offset by CapEx and WC absorption.
- **Fine-tuning estimates, now more in line with consensus on FY25.** Based on preliminary 2Q data and the outlook provided, we are keeping our revenue forecasts unchanged while raising our margin assumptions. Our FY25 estimates are now broadly in line with company-compiled consensus, whereas we remain more cautious than consensus on FY26/27, already assuming a strong rebound in both revenue growth and profitability.
- **NEUTRAL confirmed; target to €2.70 (from €2.05).** 2Q will mark a return to high-single digit organic growth, with revenues expected to accelerate in 2H, improving each quarter. While we acknowledge that negative newsflow appears to have run its course, we maintain a NEUTRAL stance on the stock, updating our DCF-based target price to €2.70 (from €2.05), mainly to reflect a lower equity risk premium, along with our change in estimates. Based on our estimates, the stock is trading at 23x EV/adj. EBIT and 37x adj. P/E for FY25, broadly in line with the relative valuation of our selected peers.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	210	184	204	227	244
EBITDA Adj (Eu mn)	51	28	41	47	53
Net Profit Adj (Eu mn)	20	-2	10	15	19
EPS New Adj (Eu)	0.151	-0.015	0.072	0.111	0.147
EPS Old Adj (Eu)	0.151	-0.015	0.068	0.108	0.145
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	13.8	15.7	11.1	9.3	8.1
EV/EBIT Adj	20.4	nm	23.6	17.0	13.5
P/E Adj	18.2	nm	38.0	24.8	18.7
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	1.3	1.9	1.3	0.9	0.6

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stock return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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As at 4 September 2025 Intermonte's Research Department covered 134 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	30.60%
OUTPERFORM:	38.06%
NEUTRAL:	31.34%
UNDERPERFORM:	00.00%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (78 in total) is as follows:

BUY:	48.72%
OUTPERFORM:	30.77%
NEUTRAL:	20.51%
UNDERPERFORM:	00.00%
SELL:	00.00%

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