SECO

NEUTRAL

Sector: Industrials

Price: Eu2.05 - **Target: Eu2.05**

Early Signs of Stabilisation, Awaiting Acceleration in 2H

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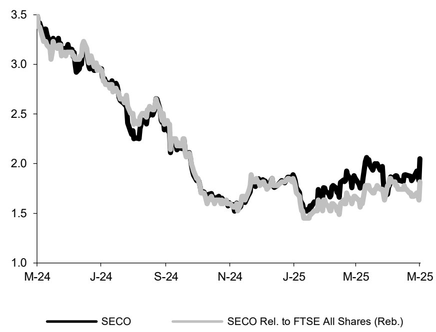
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 2.20 to 2.05
	2025E	**2026E**	**2027E**
Chg in Adj EPS	-0.4%	-0.2%	-0.2%

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	16.5%	19.2%	-41.2%
Relative	0.9%	14.0%	-54.8%
12M (H/L)			3.42/1.52
3M Average Volume (th):			161.17

Shareholder Data	
No. of Ord shares (mn):	133
Total no. of shares (mn):	133
Mkt Cap Ord (Eu mn):	273
Total Mkt Cap (Eu mn):	273
Mkt Float - Ord (Eu mn):	82
Mkt Float (in %):	30.3%
Main Shareholder:	
DSA Srl	16.6%

Balance Sheet Data	
Book Value (Eu mn):	300
BVPS (Eu):	2.02
P/BV:	1.0
Net Financial Position (Eu mn):	-51
Enterprise Value (Eu mn):	358

- **Operating margins better than est. in 1Q thanks to OpEx control.** 1Q25 results have shown stronger operating margins, and higher cash absorption. Revenues were flat YoY, at €47.2mn, slightly below our estimate (-2%), albeit in line with company guidance, breaking a run of six consecutive quarters of contraction: Edge Computing (€41.2mn) grew by +3% YoY, while CLEA (€5.9mn) declined by -18% YoY, mainly attributable to the shifting of some of the non-recurring component portions of the business. Geographically, the US (€6.7mn) and APAC (€3.3mn) recorded the highest growth, both increasing 50+% YoY and recovering from the sharp decrease faced in 1Q24, whereas Europe (74% of revenue) was down by -15%. The gross margin was 53.2%, down vs. 56% recorded in 1Q24, which benefited from a steep drop in prices of electronic components. On the positive side, adj. EBITDA came in at €9.4mn (-10% YoY), with the margin at 20%, +7% compared to our estimate, mainly thanks to good control of OpEx. Adj. net debt was €50.2mn (€41.3mn as of 24YE), affected by seasonal WC absorption, and in particular by higher receivables.
- **2Q revenue guidance indicates ~+4% YoY growth, GPM >50%.** Seco continues to monitor improving KPIs, with robust order intake and book-to-bill >1, with positive momentum continuing into April, and most clients returning to their historical order levels, except the DACH region, where, as previously noted, market demand continues to be soft. With reference to the US market, which still accounts for a relatively small share of revenue (14% in 1Q), Seco has already secured full pass-through of tariff-related cost increases to its clients and expects the FY budget in the region to be nearly covered by already contracted orders.
- **No change in estimates.** In our view, 2Q revenue guidance may represent a floor, with the company adopting a more cautious approach on outlook than in the past. At this point, assuming a progressive improvement over the next quarters (in line with the company's indications), we are leaving our FY25/26/27 estimates unchanged except for higher extraordinary costs with no impact on adjusted figures. EPS. Seco will provide FY guidance next September on the release of 1H results. We currently assume net sales will exceed €200 in FY25, with the gross margin stable YoY at 52.8%, and OpEx gradually increasing in 2H to sustain the increasing business.
- **NEUTRAL confirmed; TP to Eu2.05**. 1Q marks an inflection point for revenues, which, according to our estimates, are expected to return to double-digit growth in 2H, with sequential QoQ improvement. While we acknowledge that the negative news flow appears to have run its course, we maintain a NEUTRAL stance on the stock, updating our DCF-based target price to €2.05 (from €2.20) to reflect a higher equity risk premium for the Italian market (6% vs. 5.5%), only partially offset by a slightly higher EBIT margin on the terminal value (now at 13.5%). Based on our estimates—which remain aligned with consensus on the top line but reflect a more cautious stance on earnings—the stock is trading at 20x EV/adj. EBIT and 30x 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	38	46	53
Net Profit Adj (Eu mn)	20	-2	9	14	19
EPS New Adj (Eu)	0.151	-0.015	0.068	0.108	0.145
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	9.4	7.7	6.4
EV/EBIT Adj	20.4	nm	20.2	13.8	10.6
P/E Adj	13.6	nm	30.3	19.0	14.1
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	1.3	1.9	1.4	1.0	0.6

Intermonte

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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 stocks 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 of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMIB40 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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 March 2025 Intermonte’s Research Department covered 131 companies.

As of today Intermonte’s distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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Further information is available