

# SECO

Sector: Industrials

**NEUTRAL**

Price: Eu2.92 - Target: Eu2.80

## 2Q Results in Line, Recovery Gaining Momentum

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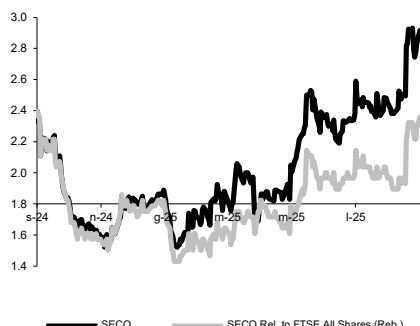
### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 2.70 to 2.80		
	2025E	2026E	2027E
Chg in Adj EPS	3.8%	3.5%	2.5%

### Next Event

3Q Results Out on Nov 7<sup>th</sup>

### SECO - 12M Performance



### Stock Data

Reuters code:	IOT.MI
Bloomberg code:	IOT IM

Performance	1M	3M	12M
Absolute	19.0%	22.0%	24.6%
Relative	18.7%	19.2%	-0.6%
12M (H/L)		2.93/1.52	
3M Average Volume (th):		129.42	

### Shareholder Data

No. of Ord shares (mn):	133
Total no. of shares (mn):	133
Mkt Cap Ord (Eu mn):	388
Total Mkt Cap (Eu mn):	388
Mkt Float - Ord (Eu mn):	117
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):	473

We confirm our estimates (except for lower CapEx/D&A), maintain our NEUTRAL rating, and slightly raise our target price to €2.80 (from €2.70), reflecting revised figures, improved forecast visibility, and more credible indications on outlook compared to the past. In our view, however, current market prices already reflect the expected recovery and improvement of margins: any further rerating will largely depend on a clear ramp-up in the software business and stronger cash conversion, where visibility (in our view) remains still limited.

■ **2Q results in line with expectations. FY25 revenue guidance in line with our/cons. estimates.** Seco released its 2Q financial figures which came in broadly in line with expectations, and with preliminary data releases back in July. On profitability, adj. EBITDA reached €10.7mn (20.8% margin), nearly doubling YoY and showing a gradual QoQ improvement, supported by reduced reliance on third-party manufacturing and outsourcing, which boosted margins. Seco has released its FY revenue guidance at €200mn+ at CER, with the gross margin still expected to remain above the 50% threshold.

■ **Feedback from the confcall.** Management expects revenue growth to accelerate over the next two quarters, with a stronger contribution anticipated in 4Q. On profitability, the adj. EBITDA margin is expected to remain solid as the potential hit to the gross margin from higher memory prices should be offset by improved operating leverage. Management also provided an update on business KPIs, with order backlog at +14% as at the end of August, and the book-to-bill ratio stably >1. Looking ahead, Seco also disclosed the amount of secured design wins for FY26 from new customers and new projects with existing customers, which add up to €24mn revenues, well diversified across geographies and market verticals.

■ **Including lower CapEx/D&A in our estimates.** Based on 2Q data and the outlook provided, we are keeping our forecasts unchanged, except for slightly lower CapEx/D&A, leading to a low-single digit EPS revision.

■ **NEUTRAL confirmed; TP at €2.80.** 2Q results met expectations, reflecting a gradual recovery of market demand, except in Germany (~30% of FY24 revenues), which remains stagnant, though early signs of improvement are beginning to emerge. The conference call had a constructive tone, with management highlighting solid KPI monitoring, gradual revenue growth acceleration in 2H (in line with our estimates), and promising new design wins for 2026. Following the strong market performance in recent months, we maintain a NEUTRAL stance as we await clearer visibility on cash generation and the software ramp-up. According to our estimates, the stock is currently trading at 23x EV/adj. EBIT, 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	20
EPS New Adj (Eu)	0.151	-0.015	0.075	0.115	0.150
EPS Old Adj (Eu)	0.151	-0.015	0.072	0.111	0.147
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	13.8	15.7	11.7	9.8	8.5
EV/EBIT Adj	20.4	nm	22.7	17.7	14.3
P/E Adj	19.3	nm	38.9	25.4	19.4
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 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 between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEIMIB40 Index, most of those on the MIBEX 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.

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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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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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