

SECO

Sector: Industrials

BUY

Price: Eu4.60 - Target: Eu7.30

Solid Delivery on Margins and Growth Enhances Visibility on FY23

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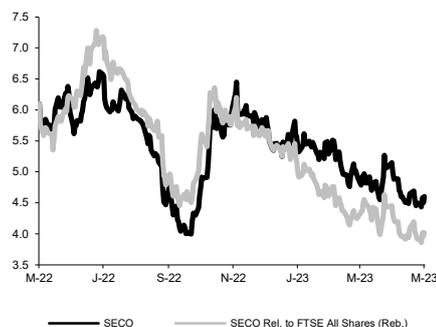
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	-3.1%	-1.8%	-2.5%

Next Event

2Q23 Results Out Sep-12

SECO - 12M Performance



Stock Data

Reuters code:	IOT.MI		
Bloomberg code:	IOT IM		
Performance	1M	3M	12M
Absolute	-7.9%	-13.0%	-24.5%
Relative	-6.8%	-13.0%	-39.2%
12M (H/L)	6.62/4.00		
3M Average Volume (th):	194.35		

Shareholder Data

No. of Ord shares (mn):	133
Total no. of shares (mn):	133
Mkt Cap Ord (Eu mn):	611
Total Mkt Cap (Eu mn):	611
Mkt Float - Ord (Eu mn):	185
Mkt Float (in %):	30.3%
Main Shareholder:	
DSA Srl	16.6%

Balance Sheet Data

Book Value (Eu mn):	326
BVPS (Eu):	2.27
P/BV:	2.0
Net Financial Position (Eu mn):	-48
Enterprise Value (Eu mn):	706

- 1Q23 net sales up +28%, in line with preliminary data.** Net sales came in at €54.6mn, up +28% organically (in line with the preliminary figure), resulting from expansion in all geographical areas (EMEA +22%, USA +31%, APAC +153%) and the main end-markets (industrial +66%, vending & distribution +38%, professional kitchen equipment +80%, medical +36%), except for the fitness segment, which was down -28% YoY. Looking at individual business segments, CLEA grew by +75% YoY, bringing turnover to €6.4mn, with over 30% coming from recurring business, while sales from the edge computing business were up +23% YoY.
- Margins up YoY and QoQ, net debt in line** The gross margin was 47.5% (better than our 47% estimate) up YoY (47% in 1Q22) and QoQ (46.9% in 4Q22) thanks to a favourable mix effect (CLEA impact on sales increasing) and higher selling prices. Adj. EBITDA was €12mn, up +40% YoY, with a 22% margin (+200bp YoY, +70% QoQ), thanks to a business acceleration and good OpEx management (at 29% on sales, vs. 32% recorded in 1Q22). Adj. net income came to €4.5mn, a lower YoY increase at +31% YoY due to higher financial charges. Adj. net debt came in at €124mn, a slight increase on the YE22 figure (€119mn), mainly due to higher trade receivables.
- Feedback from the call, no guidance provided, outlook supportive.** i) management expects another good quarter in 2Q (revenue projected to reach a new all-time record) while FY23 organic growth is expected to remain above 20% YoY, ii) recurring component foreseen at >50% of CLEA revenue in 2024, iii) order intake remained strong in 1Q and in the first part of 2Q, although no quantitative figures were announced; iv) margins seen improving throughout the year, with gross margin to benefit from decreasing price components, while the EBITDA margin should benefit from improving operating leverage; v) following the recent €65mn capital raise, the company's M&A search is targeting a profitable US-based hardware manufacturer with local production, already equipped with a large device base to spread CLEA; vi) first revenues arising from Camozzi industrial partnership to start by YE23.
- Change in estimates.** Following the 1Q23 release and the indications provided by management during the call, we are leaving our revenue estimates unchanged and adjusting our profitability forecasts to reflect a slight margin enhancement. Below EBITDA, we are including higher D&A and financial charges (in line with the release), partially offset by a lower tax rate.
- BUY confirmed; target unchanged.** The 1Q release demonstrated management's ability to keep a firm grip on margins, after experiencing some degree of slowdown in 4Q22, when results were clearly penalised by supply chain shortages. As the components market is gradually returning to normal and average lead times are steadily improving, we continue to look with confidence at the coming quarters and expect Seco to keep on delivering on growth and margin enhancement, without neglecting cash generation (we expect operating cash flow of roughly €15mn). We confirm our €7.30 TP and BUY recommendation.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	112	201	250	330	406
EBITDA Adj (Eu mn)	25	44	58	77	103
Net Profit Adj (Eu mn)	9	17	25	39	58
EPS New Adj (Eu)	0.088	0.151	0.188	0.295	0.438
EPS Old Adj (Eu)	0.088	0.151	0.194	0.300	0.449
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	28.8	20.1	12.2	9.0	6.4
EV/EBIT Adj	nm	31.5	17.5	11.9	8.0
P/E Adj	52.3	30.5	24.5	15.6	10.5
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	4.3	2.9	0.8	0.4	-0.1