![Intermonte]

Milan, 18 March 2025

Italian Equity Research – FY24 Results

SECO

NEUTRAL

Sector: Industrials

Price: Eu2.02 - **Target: Eu2.20**

Improving KPIs, but Growth Unlikely Before 2Q

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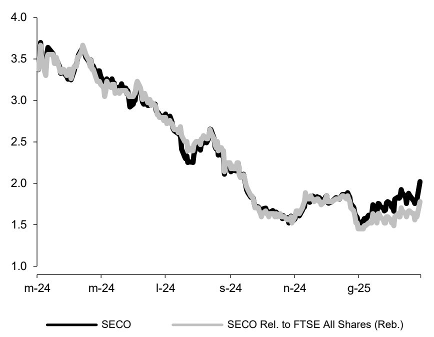
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 2.00 to 2.20
	2025E	**2026E**	**2027E**
Chg in Adj EPS	-13.2%	-12.3%	

Next Event

1Q25 Results Out on May 8th

SECO - 12M Performance



Stock Data			
Reuters code:			IOT.MI
Bloomberg code:			IOT IM
Performance	**1M**	**3M**	**12M**
Absolute	15.2%	10.1%	-40.1%
Relative	13.5%	-3.0%	-54.6%
12M (H/L)			3.70/1.52
3M Average Volume (th):			189.64

Shareholder Data	
No. of Ord shares (mn):	133
Total no. of shares (mn):	133
Mkt Cap Ord (Eu mn):	269
Total Mkt Cap (Eu mn):	269
Mkt Float - Ord (Eu mn):	81
Mkt Float (in %):	30.3%
Main Shareholder:	
DSA Srl	16.6%

Balance Sheet Data	
Book Value (Eu mn):	300
BVPS (Eu):	2.03
P/BV:	1.0
Net Financial Position (Eu mn):	-52
Enterprise Value (Eu mn):	362

In a 4Q market environment that remained challenging due to ongoing OEM destocking, the company delivered stronger-than-expected margins and exceeded consensus on cash generation, supported by improved working capital management. While we recognize the positive momentum of business KPIs, driven by a growing order backlog indicating an inflection point, 1Q revenue growth is expected to remain flat at the lower end of guidance before gaining momentum from 2Q onward. In this update, we are making final adjustments to our estimates to reflect a recovery that is slower than previously anticipated. While we maintain a cautious NEUTRAL stance on the stock, we are raising our target price to €2.2 (from €2.0), factoring in the rollover of our DCF and better starting net debt. As we await confirmation that improving market conditions translate into tangible financial results before taking a more constructive view, we believe that at this stage, downside risks to our estimates seem more limited.

- **4Q slightly better on margins and cash generation.** Seco has just released the full set of 4Q results following preliminary indications on revenues and the gross margin (published on Feb 4th), which came in better than company guidance. Final results highlighted: i) a better release on adj. EBITDA at Eu7.7mn with the margin at 17.5%, ahead of our expectation (Eu5.2mn, 11.6% margin); ii) good cash generation on WC, with a residual portion also linked to use of factoring, leading to adj. net debt at Eu41.3mn (leverage at 1.5x) vs. Inte. est. at Eu55.4mn.
- **Improving outlook, with acceleration expected by 2Q.** During the earnings call, management highlighted improving business KPIs, supported by a positive trend for order backlog and an encouraging book-to-bill ratio, signalling that the inflection point had been reached. The company has projected 1Q25 revenues to exceed €47mn, implying flat YoY growth (up high single digit on a QoQ basis) at the lower end, while maintaining gross margins above 50%. Seco anticipates a return to historical revenue levels by summer, with an improving outlook across all regions except the Dutch market, where a recovery is expected in the second half of the year. In the US, the market is fully recovering following a strong destocking phase by long-standing customers, with no significant risks related to the introduction of tariffs. Regarding new customer contributions, management expects only a minor impact in 1Q, with gradual growth throughout the year. In addition, the company signalled the potential to provide FY25 revenue guidance in the coming quarters.
- **Change in estimates.** In light of 4Q results, the 1Q outlook and qualitative messages from the conference call, we reduce our revenue estimates by 4%, while slightly increasing our gross margin assumptions, leading to a c. 6% cut to adj. EBITDA. All in all, we still expect double-digit revenue growth to resume in FY25/26, along with a gradual recovery by the adj. EBITDA margin from 15.4% achieved in FY24. Regarding cash flow, we improve our estimate for adj. net debt, forecasting financial leverage reaching 1.1/0.8x by YE25/26.

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	-0.021	0.078	0.123	
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	13.8	16.0	9.5	7.8	6.6
EV/EBIT Adj	20.4	nm	20.4	14.1	10.9
P/E Adj	13.4	nm	29.8	18.7	13.9
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

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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 December 2024 Intermonte's Research Department covered 132 companies.

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

BUY:	30.60 %
OUTPERFORM:	43.28 %
NEUTRAL:	26.12 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 December 2024 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (71 in total) is as follows:

BUY:	50.70 %
OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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