

SECO

Sector: Industrials

OUTPERFORM

Price: Eu2.40 - Target: Eu3.40

Better Execution & Enhanced Visibility. Upgrade to OUTP.

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Stock Rating

Rating: from NEUTRAL to OUTPERFORM

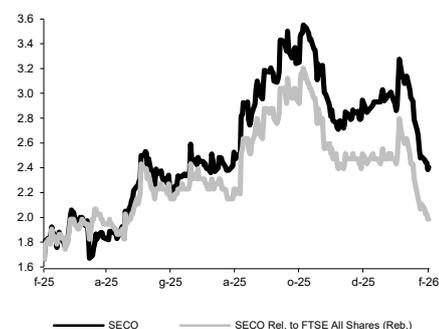
Target Price (Eu): from 3.00 to 3.40

	2025E	2026E	2027E
Chg in Adj EPS	5.8%	7.2%	5.9%

Next Event

FY25 Results Out on March 23

SECO - 12M Performance



Stock Data

Reuters code: IOT.MI

Bloomberg code: IOT IM

Performance	1M	3M	12M
Absolute	-15.9%	-16.1%	44.7%
Relative	-19.5%	-24.2%	23.2%
12M (H/L)		3.55/1.67	
3M Average Volume (th):		233.65	

Shareholder Data

No. of Ord shares (mn): 133

Total no. of shares (mn): 133

Mkt Cap Ord (Eu mn): 320

Total Mkt Cap (Eu mn): 320

Mkt Float - Ord (Eu mn): 97

Mkt Float (in %): 30.3%

Main Shareholder:

DSA Srl 16.6%

Balance Sheet Data

Book Value (Eu mn): 313

BVPS (Eu): 2.10

P/BV: 1.1

Net Financial Position (Eu mn): -43

Enterprise Value (Eu mn): 396

After maintaining a cautious stance since 3Q23, when the company first signalled a slowdown in top-line growth, we are now shifting to a more constructive view on the stock, viewing the 4Q results as a potential inflection point towards a renewed fast-growth trajectory. In our view, the delivery of FY25 targets and the improving market outlook may have contributed to a recovery of investor confidence. Having revised our estimates and rolled forward our DCF valuation, we raise our TP to €3.40 (from €3.00), implying upside of ~40% and prompting us to upgrade our rating to OUTPERFORM (from NEUTRAL).

■ **4Q preliminary figures in line.** Seco has already published preliminary revenue and gross margin figures for 4Q/FY25, which were broadly in line with our estimates. FY25 preliminary results show revenues of €197.6mn, corresponding to €200.7mn at CER, consistent with company guidance, which was for net sales of +€200mn. The gross margin was 53.4%, above the guidance floor at 50%.

■ **Forecasting a solid profitability trend and positive cash generation in 4Q.** We expect adj. EBITDA of €11.8mn (23.1% margin vs. 17.5% in 4Q24), adj. EBIT of €5.8mn (up from -€0.7mn), and adj. net debt of €40mn in a seasonally favourable quarter for cash generation.

■ **Change in estimates.** Based on 4Q preliminary data, we are lifting our forecasts on profitability for FY25, which are now more aligned to consensus, while slightly increasing our P&L estimates for FY26/27, which incorporate solid progress, with revenue and adj. EBITDA projected to grow on avg. at +11% and +13% respectively.

■ **FY26 projected to resume double-digit growth.** With 4Q25 marking a return to double-digit revenue growth and expectations for profitability and cash flow improving, we see FY26 as well positioned to sustain this positive momentum. This outlook is further supported by new design wins and projects, adding around €24m in revenues by FY26. While we maintain a cautious view on the DACH area (ca. 30% of sales), a potential recovery in the region in 2H26 could provide additional upside if the industrial cycle improves.

■ **Solid momentum on Edge Computing to drive market rerating.** The stock is currently trading at around 8x 2026E EV/EBITDA, below historical averages, and in our opinion does not yet fully reflect the recovery in demand or the contribution from recent design wins. While CLEA's recent performance has been below expectations, our investment case goes beyond CLEA and is focused on the recovery of the Edge Computing business. This segment benefits from long-standing customer relationships and deep integration within clients' development cycles, providing resilience and supporting medium-term growth. Although our estimates remain slightly below consensus, we believe the market is maintaining a cautious stance following past disappointments. We believe the market's concerns about rising memory prices are overblown. Seco is well positioned to pass higher input costs on to customers, helping to protect margins. In addition, the company has already secured sufficient volumes of key components, particularly memory, for 2026, which reduces supply risk and limits exposure to further price volatility.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	210	184	198	222	242
EBITDA Adj (Eu mn)	51	28	43	50	56
Net Profit Adj (Eu mn)	20	-2	11	17	21
EPS New Adj (Eu)	0.151	-0.015	0.085	0.126	0.157
EPS Old Adj (Eu)	0.151	-0.015	0.080	0.118	0.149
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	13.8	15.7	9.5	7.9	7.0
EV/EBIT Adj	20.4	nm	17.5	13.9	11.6
P/E Adj	15.9	nm	28.3	19.1	15.3
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	1.3	1.9	1.1	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 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 23 February 2026 Intermonte's Research Department covered 133 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	31.58%
OUTPERFORM:	37.59%
NEUTRAL:	30.08%
UNDERPERFORM:	00.75%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (72 in total) is as follows:

BUY:	54.17%
OUTPERFORM:	31.94%
NEUTRAL:	12.50%
UNDERPERFORM:	01.39%
SELL:	00.00%

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