

## EQUITY RESEARCH

**STAR7**  
 RESULTS REVIEW  
 Press release
**BUY**
**TP 12.9€** (vs 12.2€)  
 Up/Downside: 37%

## STAR7 Is Pursuing Growth

The 2022 Value of Production stands at €85m (vs. €82.9 expected), EBITDA beating expectations at €15.1m and net debt of €35.6m (vs €31.9m YoY), for a net debt/EBITDA ratio down to 2.4x (vs. 3.9x YoY). The M&A potential is back.

Star7 has released a solid consolidated balance sheet despite the market environment. Revenue amounted to €83.3m (+41% vs. €59m YoY), EBITDA €15.1m (+82.9% vs. €8.3m YoY), EBITDA margin 18.2% (vs. 14% YoY), net income of €3.1m (vs. €2.5m) and net debt of €35.1m (vs. €31.9m YoY).

Growth was driven partly by M&A (for around €18m, mainly LocalEyes and Geo Group) and partly by organic growth (for additional €6.2m). Italy's impact on revenue decreased to 55.8% (vs. 58.3% YoY) in favour of US sales for 28.2% (vs. 27.9%) and Brazilian sales for 8.7% (vs. 6.5%).

In terms of BU mix on revenue, there was substantial organic growth for the Printing division (particularly in Brazil and Italy), which generated revenue of €14.8m (vs. €10m YoY); followed by Global Content at €38.5m (vs. €20m YoY, with M&A transactions contributing €17.7m to growth); and finally the Engineering division for €29.9m (vs. €28.9m YoY).

Over 300 engineers have been integrated into STAR7, following the lease of the CAAR and STI business, which we estimate will result in around €15m of additional revenue and a 2023 EBITDA margin contribution between 5% and 10%. For this reason, we have raised our 2023 EBITDA estimate to €18m (vs. €17.1m previously), while incorporating in the model an extraordinary impact of reorganisation and consolidation costs between the two companies. In addition, we have cautiously increased the cost of debt, although much of this is related to the issuance of two miniBonds with a total value of €25m with a fixed rate.

The M&A focus is currently on the Product Knowledge division, which is targeting an Italian packaging company and a US agricultural company. The Global Content division aims to strengthen its presence in the fashion and pharmaceutical sectors. STAR7 is also moving into generative AI.

Due to the quality of the acquired clients, the large number of specialized engineers integrated in STAR7 and management's renewed vision, we are reiterating our Buy rating and upgrading our TP to €12.9 (vs €12.2 previously).

### Key data

Price (€)	9.4
Industry	Corporate Services
Ticker	STAR7-IT
Shares Out (m)	9.000
Market Cap (m €)	85.0

### Ownership (%)

Dante Srl	39.2
Star Ag	31.4
Kairos Partners SGR SpA	6.1
Free float	23.3

EPS (€)	12/23e	12/24e	12/25e
Estimates	0.71	0.80	0.96
Change vs previous estimates (%)	9.85	10.10	8.86

Performance (%)	1D	1M	YTD
Price Perf	-1.0	2.2	11.1
Rel FTSE Italy	-1.8	6.5	1.2



TP ICAP Midcap Estimates	12/22	12/23e	12/24e	12/25e	Valuation Ratio	12/23e	12/24e	12/25e
Sales (m €)	85.0	107.3	116.4	125.1	EV/Sales	1.1	0.9	0.8
Current Op Inc (m €)	7.5	9.9	11.0	12.7	EV/EBITDA	6.5	5.3	4.2
Current op. Margin (%)	8.8	9.3	9.4	10.2	EV/EBIT	11.7	9.8	7.5
EPS (€)	0.40	0.71	0.80	0.96	PE	13.4	11.8	9.8
DPS (€)	0.00	0.00	0.00	0.00				
Yield (%)	0.0	0.0	0.0	0.0				
FCF (m €)	-1.6	5.1	9.6	11.8				

Consensus FactSet - Analysts:2	12/23e	12/24e	12/25e
Sales	105.4	114.5	0.0
EBIT	9.0	10.0	0.0
Net income	4.9	5.6	0.0

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## FINANCIAL DATA

<b>Income Statement</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23e</b>	<b>12/24e</b>	<b>12/25e</b>
Sales	44.6	60.0	85.0	107.3	116.4	125.1
Changes (%)	-17.0	34.6	41.6	26.3	8.5	7.5
Gross profit	41.8	56.3	80.4	101.5	110.4	119.0
% of Sales	93.8	93.7	94.6	94.6	94.8	95.1
<b>EBITDA</b>	<b>4.4</b>	<b>8.3</b>	<b>15.1</b>	<b>18.0</b>	<b>20.2</b>	<b>22.4</b>
% of Sales	9.8	13.8	17.8	16.7	17.3	17.9
<b>Current operating profit</b>	<b>2.7</b>	<b>4.1</b>	<b>7.5</b>	<b>9.9</b>	<b>11.0</b>	<b>12.7</b>
% of Sales	6.0	6.8	8.8	9.3	9.4	10.2
Non-recurring items	0.2	0.1	0.1	0.1	0.2	0.2
EBIT	2.5	4.0	7.3	9.8	10.8	12.5
Net financial result	0.3	0.6	2.3	2.3	2.3	2.3
Income Tax	0.4	0.9	2.0	2.1	2.4	2.9
Tax rate (%)	21.0	26.4	38.7	27.9	27.9	27.9
<b>Net profit, group share</b>	<b>1.5</b>	<b>2.2</b>	<b>3.1</b>	<b>5.4</b>	<b>6.1</b>	<b>7.4</b>
EPS	na	0.29	0.40	0.71	0.80	0.96
<b>Financial Statement</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23e</b>	<b>12/24e</b>	<b>12/25e</b>
Goodwill	4.8	35.5	31.9	34.1	29.2	24.7
Tangible and intangible assets	8.9	12.0	14.1	15.8	15.8	14.8
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.5	0.3	0.8	0.8	0.8	0.8
Working capital	17.8	15.3	25.0	28.8	30.2	31.3
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0
<b>Assets</b>	<b>32.0</b>	<b>63.1</b>	<b>71.8</b>	<b>79.4</b>	<b>76.0</b>	<b>71.5</b>
Shareholders equity group	10.3	24.6	29.2	34.5	40.7	48.1
Minorities	0.7	0.9	0.0	0.0	0.0	0.0
LT & ST provisions and others	4.7	5.7	7.1	8.4	8.4	8.4
Net debt	14.5	27.1	30.7	31.6	22.0	10.2
Other liabilities	1.8	4.9	4.9	4.9	4.9	4.9
<b>Liabilities</b>	<b>32.0</b>	<b>63.1</b>	<b>71.8</b>	<b>79.4</b>	<b>76.0</b>	<b>71.5</b>
Net debt excl. IFRS 16	14.5	27.1	30.7	31.6	22.0	10.2
Gearing net	1.3	1.1	1.1	0.9	0.5	0.2
Leverage	3.3	3.3	2.0	1.8	1.1	0.5
<b>Cash flow statement</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23e</b>	<b>12/24e</b>	<b>12/25e</b>
CF after elimination of net borrowing costs and taxes	3.2	6.7	12.1	13.4	15.3	17.1
$\Delta$ WCR	2.2	2.2	-9.8	-3.8	-1.4	-1.1
Operating cash flow	5.5	8.9	2.2	9.7	14.0	16.0
Net capex	-5.2	-6.0	-3.9	-4.5	-4.4	-4.2
FCF	0.3	3.0	-1.6	5.1	9.6	11.8
Acquisitions/Disposals of subsidiaries	0.0	-31.6	-2.2	-6.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
Change in borrowings	1.8	33.1	-1.8	3.2	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	0.0	11.8	0.0	0.0	0.0	0.0
Others	-0.2	0.0	0.1	0.0	0.0	0.0
Change in net cash over the year	1.8	16.5	-5.5	2.3	9.6	11.8
ROA (%)	5.3%	3.9%	4.3%	6.8%	8.1%	10.3%
ROE (%)	16.3%	10.0%	10.6%	15.6%	15.1%	15.4%

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### Analyst certifications

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This Report may mention evaluation methods defined as follows:

1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
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G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: Star7

### History of investment rating and target price – Star7



## Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	84%	64%
Hold	14%	38%
Sell	1%	50%
Under review	1%	0%

Midcap employs a rating system based on the following:

Buy: Expected to outperform the markets by 10% or more over a 6 to 12 months horizon.

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