

## EQUITY RESEARCH

**STAR7**  
RESULTS REVIEW

BUY

TP 12.9€

Up/Downside: 95%

## 2023 Revenue Exceeded €100m

Yesterday, Star7 released preliminary 2023 revenue of €104m (+25% YoY), with growth driven by the engineering division.

STAR7 ended 2023 with 25% revenue growth to 104 (-1% below our expectations). This growth can be partly attributed to the acquisition of CAAR's engineering division (+18% according to our estimates) and partly to organic growth.

Thanks to the acquisition of CAAR's engineering division and a significant contribution from organic growth, the engineering division contributed 20% of total revenue (vs. 3% YoY). It was followed by the Product Knowledge and Experience divisions with organic growth of 10%, now representing around 29% of the company's revenue (vs. 32.9% YoY). The Printing division grew by 5%, but its contribution to the revenue mix fell to 15% (vs. 17.8%). Finally, the Global Content division fell slightly by -2.7%, contributing 36% to the company's revenue mix in 2023 (vs. 46.3% the previous year).

External and organic growth have contributed to the increase in sales in Brazil, which now accounts for 17% of the total (vs. 9% YoY), Italy has fallen to 53% of the total (vs. 56% YoY) underlining a gradual shift towards growth abroad, and the United States has fallen to 23% of the total (vs. 28% YoY).

We remain confident in our 2023 EBITDA estimates of €16.1m (vs. €15.5m), for an EBITDA margin down to 15.5% (vs. 18.7% YoY) due to the integration of CAAR. At the same time, the company announced yesterday that it was in the final stages of the CAAR integration process, which will enable STAR7 to optimise its margins, on a like-for-like basis, over the coming years. Therefore, we remain in line with our previous estimates for 2024 as well with EBITDA of €18.8m and EBITDA margin up to 16.6% (vs. 15.5%) although organic growth is expected to be 9%.

Although business volume has increased significantly and capex is estimated at €6.7m, we believe that Star7 has managed to reduce its net debt to €33.5m (vs. €35.5m YoY), bringing the Net Debt/EBITDA ratio down to 2.1x (vs. 2.3x YoY).

This is certainly an attractive result for a stock that is now valued at just 3.6x its 2025 EBITDA. We reiterate our TP of €12.9.

### Key data

Price (€)	6.6
Industry	Corporate Services
Ticker	STAR7-IT
Shares Out (m)	9.000
Market Cap (m €)	59.4
Average trading volumes (k shares / day)	1.730

Source: FactSet

### Ownership (%)

Dante Srl	41.7
Star Ag	33.4
Kairos Partners SGR SpA	6.1
Free float	18.8

Source: TPICAP Midcap estimates

EPS (€)	12/24e	12/25e	12/26e
Estimates	1.05	1.25	1.35
Change vs previous estimates (%)	0.16	0.09	-0.48

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	0.0	-14.3	-13.2
Rel FTSE Italy	-0.1	-15.5	-15.5



Source: FactSet

TP ICAP Midcap Estimates	12/23	12/24e	12/25e	12/26e	Valuation Ratio	12/24e	12/25e	12/26e
Sales (m €)	105.9	115.4	124.1	132.0	EV/Sales	0.8	0.7	0.5
Current Op Inc (m €)	11.9	13.0	15.3	16.6	EV/EBITDA	4.7	3.6	2.9
Current op. Margin (%)	11.2	11.3	12.3	12.5	EV/EBIT	6.7	5.3	4.4
EPS (€)	0.96	1.05	1.25	1.35	PE	6.3	5.3	4.9
DPS (€)	0.00	0.00	0.00	0.00	Source: TPICAP Midcap			
Yield (%)	0.0	0.0	0.0	0.0				
FCF (m €)	2.3	4.6	6.8	8.4				

Consensus FactSet - Analysts:2	12/24e	12/25e	12/26e
Sales	116.7	125.4	na
EBIT	13.0	15.3	na
Net income	8.0	9.5	na

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## FINANCIAL DATA

Income Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Sales	60.0	85.0	105.9	115.4	124.1	132.0
Changes (%)	34.6	41.6	24.6	9.0	7.6	6.4
Gross profit	56.3	79.8	100.8	109.4	118.1	126.0
% of Sales	93.7	93.9	95.2	94.8	95.1	95.4
<b>EBITDA</b>	<b>8.3</b>	<b>15.5</b>	<b>16.1</b>	<b>18.8</b>	<b>22.2</b>	<b>24.6</b>
% of Sales	13.8	18.3	15.2	16.3	17.9	18.6
<b>Current operating profit</b>	<b>5.2</b>	<b>11.8</b>	<b>11.9</b>	<b>13.0</b>	<b>15.3</b>	<b>16.6</b>
% of Sales	8.6	13.9	11.2	11.3	12.3	12.5
Non-recurring items	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2
EBIT	5.1	11.6	11.8	12.8	15.1	16.4
Net financial result	-0.6	-2.3	-2.6	-2.6	-2.6	-2.6
Income Tax	-0.9	-1.9	-1.8	-2.2	-3.0	-3.4
Tax rate (%)	19.8	20.8	19.9	21.5	24.0	25.0
<b>Net profit, group share</b>	<b>3.3</b>	<b>7.1</b>	<b>7.3</b>	<b>8.0</b>	<b>9.5</b>	<b>10.3</b>
EPS	0.43	0.92	0.96	1.05	1.25	1.35
Financial Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Goodwill	35.5	33.6	28.5	23.7	19.1	14.9
Tangible and intangible assets	12.0	12.5	16.0	18.3	19.6	20.1
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.3	0.8	0.8	0.8	0.8	0.8
Working capital	15.3	24.9	27.6	29.8	31.7	33.5
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0
Assets	63.1	71.8	72.9	72.4	71.2	69.2
Shareholders equity group	24.6	28.3	31.7	35.8	41.4	47.8
Minorities	0.9	1.2	1.2	1.2	1.2	1.2
LT & ST provisions and others	5.7	7.2	7.2	7.2	7.2	7.2
Net debt	31.9	35.1	32.8	28.2	21.4	13.0
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	63.1	71.8	72.9	72.4	71.2	69.2
Net debt excl. IFRS 16	31.9	35.1	32.8	28.2	21.4	13.0
Gearing net	1.3	1.2	1.0	0.8	0.5	0.3
Leverage	3.9	2.3	2.0	1.5	1.0	0.5
Cash flow statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
CF after elimination of net borrowing costs and taxes	7.7	12.4	11.6	13.8	16.4	18.4
$\Delta$ WCR	2.2	-9.6	-2.7	-2.1	-1.9	-1.8
Operating cash flow	9.9	2.8	8.8	11.7	14.5	16.6
Net capex	-6.1	-4.2	-6.6	-7.1	-7.7	-8.2
FCF	3.8	-1.4	2.3	4.6	6.8	8.4
Acquisitions/Disposals of subsidiaries	-31.6	-2.2	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
Change in borrowings	33.1	-1.8	-5.7	-2.8	-2.8	-2.8
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	11.8	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.1	0.0	0.0	0.0	0.0
Change in net cash over the year	17.4	-5.2	-3.4	1.7	4.0	5.6
ROA (%)	5.7%	10.3%	10.1%	11.1%	13.4%	14.9%
ROE (%)	14.6%	26.2%	23.1%	22.4%	23.0%	21.6%

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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



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Rating	Recommendation Universe*	Portion of these provided with investment banking services**
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Hold	16%	56%
Sell	1%	0%
Under review	2%	100%

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