Milan, 27 March 2025

Italian Equity Research – FY24 Results

STAR7

BUY

Sector: Industrials

Price: Eu6.55 - **Target: Eu11.00**

Gen-AI to Cement '*International System Integrator*' Positioning

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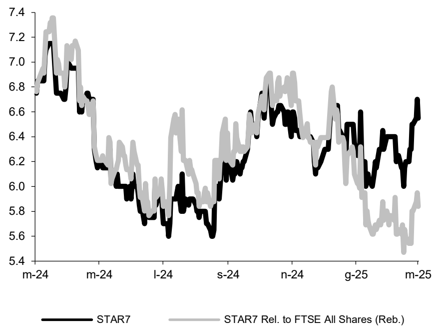
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 10.50 to 11.00
	2025E	**2026E**	**2027E**
Chg in Adj EPS	2.9%	-0.4%	

STAR7 - 12M Performance



Stock Data			
Reuters code:			STAR7.MI
Bloomberg code:			STAR7 IM
Performance	**1M**	**3M**	**12M**
Absolute	2.3%	5.6%	-3.7%
Relative	2.8%	-9.4%	-15.7%
12M (H/L)			7.15/5.60
3M Average Volume (th):			1.35

Shareholder Data	
No. of Ord shares (mn):	9
Total no. of shares (mn):	9
Mkt Cap Ord (Eu mn):	59
Total Mkt Cap (Eu mn):	59
Mkt Float - Ord (Eu mn):	15
Mkt Float (in %):	24.9%
Main Shareholder:	
Dante Srl	41.7%

Balance Sheet Data	
Book Value (Eu mn):	36
BVPS (Eu):	4.03
P/BV:	1.6
Net Financial Position (Eu mn):	-26
Enterprise Value (Eu mn):	85

FY24 results confirmed a definite upturn in business growth, margin expansion and cash generation. STAR7 is now fully equipped to benefit from new opportunities, leveraging on its robust revenue path based on the unique *Integrale*[7] business model, with increasing contributions from multi-year contracts offering visibility in a volatile business environment. Cost rationalisation and growth in high-margin business lines and geographical markets will continue in the coming years, along with working capital optimisation, resulting in brilliant cash generation prospects. We expect the 2025 focus to be on consolidating the excellent 2024 performance to pave the way for acquisition opportunities in 2026. At the same time, further organic acceleration could come in the defence sector or international expansion (South America and India), while the newly-launched 7AI business line, based on generative AI, will already contribute to growth in 2025.

- **Revenues business mix boosting margin expansion.** FY24 revenues were up 15% YoY to €120mn. Growth was fully driven by organic expansion and high-margin geographical markets (US and Brazil) and business lines (Product Knowledge and Engineering). 74% of total revenues came from full-service contracts and ~85% were related to multi-annual contracts. This confirms STAR7's ability to continue its growth trajectory by combining new customer acquisition with the cross-selling and upselling opportunities inherent in the Integrale[7] business model. Moreover, thanks to this positioning, we believe STAR7 enjoys high visibility and revenue growth that is not dependent on customer business volume trends.
- **Strong cash generation and buyback demonstrate solidity of growth path.** The FY24 adj. EBITDA margin expanded ~40bp to 15.7%, reflecting the high-quality revenue mix, the ongoing search for cost rationalisation, even after the full integration of CAAR, and the increased use of offshoring in Albania. Adj. NFP was €32.7mn, a marked improvement on €37.8mn at YE23 (adj. NFP/ EBITDA ratio down to 1.7x) confirming the effectiveness of working capital optimisation, with tight control of payment and collection timescales, boding well for future cash generation. In addition, STAR7 announced a buyback to be executed in the coming months, targeting the purchase of shares corresponding to up to 10% of the capital.
- **Change in estimates.** Considering the positive 2024 trend in higher value-added business lines, margin expansion and working capital rationalisation, we are confirming our estimates for margin expansion, with an adj. EBITDA margin of 15.7% in FY25 and acceleration in FY26/27 to 16.0%/16.3%. On the bottom line, we are raising our FY25 adj. EPS by 2.9%, mainly on lower D&A, while confirming our forecast for €10.3mn in adj. net profit in FY26. In light of strong 2024 cash generation, we are raising our NFP estimates for YE25 (€26.3mn vs. €30.5mn previously) and the following years, conservatively estimating annual EBITDA cash conversion of ~30%, for NFP/EBITDA of 0.6x in 2027.
- **BUY confirmed; target from €10.5 to €11.0.** We confirm our positive view on the stock, considering the current valuation to be particularly appealing in view of ongoing business developments. Furthermore, we think the launch of the announced buyback, following final approval by shareholders, could support the stock price in the coming months.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	106	121	125	132	141
EBITDA Adj (Eu mn)	16	19	19	21	23
Net Profit Adj (Eu mn)	7	8	9	10	12
EPS New Adj (Eu)	0.644	0.907	0.954	1.141	1.294
EPS Old Adj (Eu)	0.644	0.824	0.927	1.146	
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	6.8	4.8	4.4	3.8	3.2
EV/EBIT Adj	9.5	6.5	5.9	4.9	4.0
P/E Adj	10.2	7.2	6.9	5.7	5.1
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	2.4	1.5	1.4	1.0	0.6

Intermonte

STAR7 – Key Figures

Profit & Loss (Eu mn)	2022A	2023A	2024A	2025E	2026E	2027E
Sales	85	106	121	125	132	141
EBITDA	15	15	18	19	21	23
EBIT	8	6	9	10	12	14
Financial Income (charges)	-2	-3	-3	-3	-2	-2
Associates & Others	0	0	0	0	0	0
Pre-tax Profit	5	3	6	7	10	12
Taxes	-2	-1	-2	-3	-4	-4
Tax rate	-36.2%	-34.6%	-38.2%	-37.0%	-36.5%	-36.5%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	3	2	4	4	6	8
EBITDA Adj	15	16	19	19	21	23
EBIT Adj	12	11	14	14	16	18
Net Profit Adj	7	7	8	9	10	12
Per Share Data (Eu)	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
Total Shares Outstanding (mn) - Average	9	9	9	9	9	9
Total Shares Outstanding (mn) - Year End	9	9	9	9	9	9
EPS f.d	0.381	0.248	0.414	0.481	0.696	0.849
EPS Adj f.d	0.699	0.644	0.907	0.954	1.141	1.294
BVPS f.d	3.277	3.542	3.656	4.026	4.723	5.572
Dividend per Share ORD	0.000	0.000	0.000	0.000	0.000	0.000
Dividend per Share SAV	0.000	0.000	0.000	0.000	0.000	0.000
Dividend Payout Ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash Flow (Eu mn)	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
Gross Cash Flow	11	10	12	13	15	16
Change in NWC	-9	-6	4	-2	-5	-6
Capital Expenditure	-4	-9	-6	-4	-4	-4
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	-2	-5	11	7	6	6
Acquisitions, Divestments & Other Items	-1	2	-1	-5	0	0
Dividends	0	0	0	0	0	0
Equity Financing/Buy-back	0	0	0	-1	0	0
Change in Net Financial Position	-3	-3	10	2	6	6
Balance Sheet (Eu mn)	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
Total Fixed Assets	47	48	45	45	46	46
Net Working Capital	24	29	23	25	30	35
Long term Liabilities	-6	-7	-7	-8	-12	-17
Net Capital Employed	65	70	61	63	63	64
Net Cash (Debt)	-35	-38	-28	-26	-20	-14
Group Equity	29	32	33	36	43	50
Minorities	0	0	0	0	0	0
Net Equity	29	32	33	36	43	50
Enterprise Value (Eu mn)	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
Average Mkt Cap	80	71	58	59	59	59
Adjustments (Associate & Minorities)	0	0	-5	0	0	0
Net Cash (Debt)	-35	-38	-28	-26	-20	-14
Enterprise Value	115	109	91	85	79	73
Ratios (%)	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
EBITDA Adj Margin	18.2%	15.2%	15.5%	15.5%	15.9%	16.2%
EBIT Adj Margin	13.7%	10.8%	11.6%	11.5%	12.3%	12.9%
Gearing - Debt/Equity	119.0%	118.5%	84.5%	72.5%	47.5%	28.3%
Interest Cover on EBIT	3.3	2.2	2.8	3.2	5.0	6.5
Net Debt/EBITDA Adj	2.3	2.4	1.5	1.4	1.0	0.6
ROACE*	12.6%	9.5%	14.3%	16.2%	19.7%	22.4%
ROE*	26.9%	22.2%	25.2%	24.8%	26.1%	25.1%
EV/CE	1.9	1.6	1.4	1.4	1.3	1.2
EV/Sales	1.3	1.0	0.7	0.7	0.6	0.5
EV/EBITDA Adj	7.4	6.8	4.8	4.4	3.8	3.2
EV/EBIT Adj	9.8	9.5	6.5	5.9	4.9	4.0
Free Cash Flow Yield	-3.4%	-7.7%	16.7%	12.6%	10.3%	10.2%
Growth Rates (%)	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
Sales	14.5%	24.3%	14.7%	3.0%	6.0%	6.5%
EBITDA Adj	20.8%	3.6%	17.3%	3.2%	8.6%	8.6%
EBIT Adj	75.6%	-1.7%	22.6%	2.4%	13.5%	11.6%
Net Profit Adj	91.4%	-7.8%	19.5%	5.2%	19.6%	13.4%
EPS Adj	62.7%	-7.9%	40.8%	5.2%	19.6%	13.4%
DPS						

*Excluding extraordinary items Source: Intermonte SIM estimates

FY24 Results better than expected - Buyback Plan Announced

STAR7's FY24 results highlight a solid performance, with sustained organic growth driven by the acquisition of new customers through effective cross-selling and upselling strategies. Overall net profit, cash generation and net financial position were better than expected. Revenues were in line with preliminary indications, while EBITDA was in line with our estimate. Moreover, the company announced a buyback plan to be executed over the coming months, targeting the purchase of shares corresponding to up to 10% of the capital.

Revenues

STAR7's definitive FY24 results confirmed the preliminary indications announced on 10th February, both for total revenues and the geographical/divisional breakdown.

Total revenues were up 15% YoY to €120mn vs. €104mn in FY23. This growth was fully driven by organic expansion and by the United States and Brazil in terms of geographical markets, while Product Knowledge and Engineering led growth in terms of business lines.

STAR7 - FY24 Revenues Breakdown

(Eu mn)	FY23A	FY24A	YoY	FY24E	FY24 A/E
by service line					
Engineering	**20.5**	**24.4**	**19%**	**24.0**	**1.8%**
% on total revenues	*20%*	*20%*		*20%*	
Experience + Product Knowledge	**30.3**	**38.0**	**25%**	**38.4**	**(1.1%)**
% on total revenues	*29%*	*32%*		*32%*	
Global Content	**37.5**	**41.8**	**12%**	**42.0**	**(0.5%)**
% on total revenues	*36%*	*35%*		*35%*	
Printing	**16.2**	**15.6**	**(3.7%)**	**15.6**	**(0.1%)**
% on total revenues	*16%*	*13%*		*13%*	
by region					
Italy	**55.5**	**57.9**	**4.2%**	**58.8**	**(1.6%)**
% on total revenues	*53%*	*48%*		*49%*	
US	**23.8**	**31.3**	**31%**	**31.2**	**0.2%**
% on total revenues	*23%*	*26%*		*26%*	
Brazil	**17.9**	**23.1**	**30%**	**22.8**	**1.4%**
% on total revenues	*17%*	*19%*		*19%*	
RoW	**7.2**	**7.5**	**4.8%**	**7.2**	**4.8%**
% on total revenues	*6.9%*	*6.3%*		*6.0%*	
Net Revenues	**104.4**	**119.8**	**15%**	**120.0**	**(0.2%)**

Source: Intermonte SIM; Company Data

In more detail: 74% of the €120mn of revenues generated in FY24 came from full-service contracts, vs. 64% in FY22 and 56% in FY20. This confirms STAR7's ability to continue its growth path by combining new customer acquisition with the cross-selling and upselling opportunities inherent in the Integrale[7] business model.

At the same time, ~85% of FY24 revenues were related to multi-annual contracts & framework agreements, while only ~15% of total revenues were generated through project-based contracts. Thanks to this positioning, we believe STAR7 enjoys high visibility and revenue growth that is not dependent on trends in customers' business volumes.

In terms of customers, Stellantis and Apple were the main contributors to YoY revenue growth, providing ~€9mn of the total €16mn YoY increase. In particular, the contract renewed in 2023 with Stellantis provided ~€6mn of additional revenues in 2024 vs. 2023. In relation to Apple, during 1H24, STAR7 opened a new subsidiary in India aimed at providing further development of Global Content services to be provided to the US group. Additional revenues from this customer came to ~€3mn in FY24 vs. FY23.

Looking at the geographical breakdown, growth in the United States and in Brazil is positive, confirming the success of the internationalisation strategy pursued by STAR7. By business area, we think the growth of Experience/Product Knowledge, Engineering and Global Content could foster further expansion of STAR7's EBITDA margin in next years:

- **By Service Line –** Engineering increased YoY by €4mn to €24.4mn, driven by new Brazilian contracts related to CAAR, while Product Knowledge YoY growth (+€7.7mn) was essentially driven by the global business contracts signed with Stellantis. Positive trend confirmed for Global Content activities (+12% YoY), boosted by upselling to strategic clients.

- **By Region –** For the first time, Italy accounted for less than 50% of total revenues in 2024. Revenue growth continues in all geographical areas in which the group operates. US and Brazil led the way in regional growth (+31% and +30% YoY respectively), mainly driven by upselling and cross-selling services. US growth in particular benefitted from the intensive marketing campaign carried out over the last two years.

We appreciate the quality of STAR7's 1H24 revenue growth, which was 100% organic, confirming the company's abilty to gain new customers and successfully apply cross-selling and upselling initiatives. Moreover, in our opinion, the growth rate experienced and the business model confirms STAR7's resilience to the challenges currently affecting the luxury, automotive and agriculture businesses.

In terms of revenue mix, the continuous increase in the share of full-service contracts on total revenues, confirms that STAR7 positions itself as a Service Integrator, capable of delivering comprehensive and integrated solutions that combine expertise, technologies, and advanced services, generating significant added value for clients.

For the future, we appreciate the increased focus on the defence sector. Given the strong expansion underway, we believe the weight of the sector could trend consistently upwards in STAR7's revenues over time.

Income Statement

In FY24, reported EBITDA stood at €18.1mn (+24% YoY), mainly reflecting higher margins on services sold. At adjusted level, excluding extraordinary restructuring costs mainly related to the CAAR Group business unit for €0.7mn, FY24 EBITDA was €18.8mn (+17% YoY). In terms of margins, FY24 saw an expansion of 110bp, from 14.0% to 15.1%, while at adjusted level, the EBITDA margin expansion was ~40bp, from 15.3% to 15.7%. This reflects the high-quality revenue mix, the ongoing search for cost rationalisation, even after the full integration of CAAR and the increased use of offshoring in Albania where STAR7 can now leverage on a properly structured team providing the opportunity for effective operating leverage.

In addition to cost rationalisation, we believe revenue growth in high-margin business lines and geographical markets (Brazil and the United States) played a significant role in margin expansion. This leaves ample room for improvement in the Italian market as well. We believe that in the coming period the margin can continue to expand thanks to the work carried out by management across different businesses and geographical markets to achieve greater operational efficiency.

Group reported EBIT amounted to €9.3mn in FY24 (+47% YoY vs. €6.4mn in FY23). The M&A transactions carried out in recent years generated net goodwill of €34mn as at YE24, resulting in €4mn of amortisation in FY24. Gross of this effect, adjusted EBIT was €14mn (+23% YoY).

At bottom line, STAR7 reported a net profit of €3.7mn in FY24 (+67% YoY), while excluding goodwill amortisation and extraordinary CAAR integration costs, adjusted net profit was €8.2mn (+20% YoY).

STAR7 - FY24 Results - Income Statement

(Eu mn)	FY23A	FY24A	*YoY %*	FY24E	*FY24 A/E*
Net Revenues	104.4	119.8	*15%*	120.0	*(0%)*
Other Revenues	1.2	1.3	*8%*	0.8	*65%*
Total Revenues	**105.6**	**121.1**	***15%***	**120.8**	***0%***
Operating Costs	(47.8)	(53.1)	*11%*	(53.3)	*(0%)*
Personnel Costs	(43.2)	(50.0)	*16%*	(49.6)	*1%*
Total Costs	**(91.0)**	**(103.1)**	***13%***	**(102.9)**	***0%***
EBITDA Reported	**14.6**	**18.1**	***24%***	**17.9**	***1%***
EBITDA margin reported	*14.0%*	*15.1%*		*14.9%*	
CAAR Integration costs	1.4	0.7	*(50%)*	0.7	*0%*
EBITDA Adjusted	**16.0**	**18.8**	*17%*	**18.6**	*1%*
EBITDA margin adj.	*15.3%*	*15.7%*		*15.5%*	
D&A	(8.2)	(8.7)	*6%*	(9.4)	*(7%)*
EBIT Reported	**6.4**	**9.3**	***47%***	**8.5**	*10%*
Goodwill Amortisation	3.7	4.0	*9%*	4.0	*0%*
EBIT Adjusted	**11.4**	**14.0**	***23%***	**13.2**	*6%*
Net Financial Income	(3.0)	(3.3)	*12%*	(3.5)	*(6%)*
Pre-tax Profit	**3.4**	**6.0**	***77%***	**5.0**	*20%*
Income taxes	(1.2)	(2.3)	*95%*	(2.0)	*14%*
Net Profit	**2.2**	**3.7**	***67%***	**3.0**	***24%***
Total Adjustments (net of taxes)	**4.6**	**4.4**	***(3.5%)***	**4.4**	***0%***
CAAR Integration costs	*0.9*	*0.4*	*(53%)*	*0.4*	*3%*
Goodwill Amortisation	*3.7*	*4.0*	*8.7%*	*4.0*	*0%*
Adjusted Net Profit	**6.8**	**8.2**	***19.5%***	**7.4**	***10%***

Source: Intermonte SIM; Company Data

Balance Sheet / Net Financial Position

As at the end of December 2024, net debt was €27.8mn, a marked improvement from €37.8mn as at YE23. At the same time, the debt-to-adj. EBITDA ratio decreased from 2.4x (FY2023) to 1.5x as at the end of December 2024. Adj. NFP, including the €4.9mn cash-out related to the CAAR acquisition that was completed in January 2025, was €32.7mn. As a result, the adj. NFP/adj. EBITDA ratio came down to 1.7x at YE24.

This demonstrates management's focus on optimising working capital, with tight control of payment and collection timescales, boding well for future cash generation. In particular, the improvement during 2024 reflects a decrease in trade receivables with DSO (Days Sales Outstanding) falling from 131 days at YE23 to 98 days at YE24, and an increase in payables to suppliers with DPO (Days Payable Outstanding) increasing from 68 days at YE23 to 81 days at YE24.

In November 2024, STAR7 issued a non-convertible bond worth €13mn, with a variable interest rate and a maturity date of November 2031. At the end of December 2024, gross debt stood at €53.3mn (€47.3mn as at 31/12/2023). At this point, considering the debt maturity profile, STAR7 has no major short-term refinancing needs, with repayment plans spread over the next six years.

STAR7 - FY24 Results - Balance Sheet

(Eu mn)	1H23A	FY23A	1H24A	FY24A	FY24E	FY24 A/E
Non-current assets	47.6	47.7	45.4	45.1	43.1	*5%*
Net Working Capital	22.1	29.3	23.5	22.8	30.7	*(26%)*
Non-current liabilities	(6.1)	(7.4)	(7.7)	(7.2)	(8.4)	*(14%)*
Net Capital Employed	**63.6**	**69.6**	**61.2**	**60.7**	**65.3**	***(7%)***
Shareholders Equity	30.0	31.9	31.4	32.9	34.9	*(6%)*
Net Financial Position	**(33.6)**	**(37.8)**	**(29.8)**	**(27.8)**	**(30.5)**	***(9%)***
Net Equity & NFP	**63.6**	**69.6**	**61.2**	**60.7**	**65.3**	***(7%)***
NFP / EBITDA adj.	*1.4x*	*2.4x*	*1.1x*	*1.5x*	*1.6x*	
Adj. Net Financial Position*				**(32.7)**	**(35.9)**	***(9%)***
*Adj. NFP / EBITDA adj.**				*1.7x*	*1.9x*	

** Including the cash-out related to the acquisition of CAAR that was finalised in Jan.2025*

Source: Intermonte SIM; Company Data

Change in Estimates

Overall, FY24 results confirm our expectations for a successful growth path. The positive development in higher value-added business lines, the margin expansion, together with the full completion of the CAAR integration process, rationalisation of working capital and resulting reduction in net debt, lead us to revise our 2025 adj. EPS estimates slightly upwards.

We are also adjusting our 2026 estimates, broadly confirming our adjusted EPS, while for the first time we are publishing our 2027 estimates. In more detail: we are trimming our revenue forecasts by 3.8%/4.9% to €125mn/€132mn for 2025/2026. We confirm the expansionary EBITDA margin path, estimating an adjusted EBITDA margin of 15.7% in FY25, followed by acceleration in 2026/2027 to 16.0%/16.3% respectively, thanks to ongoing cost rationalisation, offshoring, and sustained revenue growth in high-margin business lines and geographical markets.

Considering that CapEx peaked in 2023, we are slightly lowering our 2025/2026 D&A estimates. At bottom line, we estimate FY25 adjusted net profit, excluding goodwill amortisation and other extraordinary costs, of €8.6mn, raising our forecast by 2.9%, while we are broadly confirming our expectation for a FY26 adjusted net profit of €10.3mn.

As for cash flow, changes to our estimates mainly reflect CapEx plan trends for the coming years. In particular, an investment in Brazil, part of which was previously planned to be made in 2025, was completed in 2024. In light of this, we are lowering our estimate for 2025 CapEx, which we now believe could be less than €4mn. For the following years, our expectations are for a cash-out in the range of €4/4.5mn per year, mainly to finance the launch of new AI solutions and for upgrading equipment.

As at the end of 2025, we expected an NFP of €26.3mn vs. €30.5mn previously, down ~€6.5mn vs. €32.7mn as at YE24. In light of the successful working capital management observed in 2024 and €10mn of cash generation, we are raising our NFP estimate for the following years as well, conservatively estimating EBITDA cash conversion of ~30% per year. This leads to a 2027 NFP/EBITDA ratio of 0.6x.

STAR7 - Income Statement Change in estimates

(Eu mn)	FY25E New	FY26E New	FY27E New	FY25E Old	FY26E Old	FY25E % chg	FY26E % chg
Net Revenues	123.8	131.3	140.1	128.7	138.2	(3.8%)	(5.0%)
Other Revenues	1.0	1.0	0.8	1.0	1.0	0.0%	0.0%
Total Revenues	**124.8**	**132.3**	**140.9**	**129.7**	**139.2**	**(3.8%)**	**(4.9%)**
Operating Costs	(53.9)	(57.0)	(60.9)	(58.1)	(62.0)	(7.2%)	(8.1%)
Personnel Costs	(52.0)	(54.3)	(57.1)	(51.6)	(53.9)	0.7%	0.7%
Total Costs	**(105.9)**	**(111.3)**	**(118.0)**	**(109.7)**	**(116.0)**	**(3.5%)**	**(4.0%)**
EBITDA Reported	**19.0**	**21.1**	**22.9**	**20.0**	**23.2**	**(5.3%)**	**(9.4%)**
Ebitda margin	*15.3%*	*16.0%*	*16.3%*	*15.6%*	*16.8%*		
EBITDA Adjusted	**19.4**	**21.1**	**22.9**	**20.0**	**23.2**	**(3.3%)**	**(9.4%)**
Ebitda margin adj.	*15.7%*	*16.0%*	*16.3%*	*15.6%*	*16.8%*		
D&A	(9.0)	(8.7)	(8.7)	(10.2)	(10.7)	(11.3%)	(18.5%)
EBIT Reported	**10.0**	**12.3**	**14.2**	**9.9**	**12.5**	**0.9%**	**(1.5%)**
Ebit margin reported	*8.1%*	*9.4%*	*10.1%*	*7.7%*	*9.1%*		
EBIT Adjusted	**14.4**	**16.3**	**18.2**	**13.9**	**16.5**	**3.5%**	**(1.2%)**
Ebit margin adj.	*11.6%*	*12.4%*	*13.0%*	*10.8%*	*11.9%*		
Net Financial Income	(3.1)	(2.5)	(2.2)	(3.1)	(2.6)	0.0%	(7.5%)
Pre-tax profit	**6.9**	**9.9**	**12.0**	**6.8**	**9.9**	**1.3%**	**0.1%**
Income taxes	(2.5)	(3.6)	(4.4)	(2.4)	(3.5)	4.1%	1.5%
Net Profit	**4.3**	**6.3**	**7.6**	**4.3**	**6.3**	**(0.3%)**	**(0.7%)**
Adjusted Net Profit	**8.6**	**10.3**	**11.6**	**8.3**	**10.3**	**2.9%**	**(0.4%)**

Source: Intermonte SIM

STAR7 - Other Key Metric Change in estimates

(Eu mn)	FY24A	FY25E New	FY26E New	FY27E New	FY25E Old	FY26E Old
Capex	(5.9)	(3.9)	(4.1)	(4.4)	(4.5)	(4.8)
Net Financial Position	**(27.8)**	**(26.3)**	**(20.2)**	**(14.2)**	**(30.5)**	**(24.9)**
NFP / EBITDA	*1.5x*	*1.4x*	*1.0x*	*0.6x*	*1.5x*	*1.1x*
Adjusted NFP*	**(32.7)**	**(26.3)**	**(20.2)**	**(14.2)**	**(30.5)**	**(24.9)**
*Adj. NFP / EBITDA**	*1.7x*	*1.4x*	*1.0x*	*0.6x*	*1.5x*	*1.1x*

** Including the cash-out related to the acquisition of CAAR that was finalised in Jan.2025*

Source: Intermonte SIM

Updated Valuation and Investment Conclusion

We are updating our valuation, based on a DCF and peer comparison, mainly to take into account the revisions of our estimates for 2025 and subsequent years outlined above.

The updated valuation yields a fair value of €11.0ps, allowing for an upward revision of our TP from €10.5 to €11.0. At our new TP, STAR7 would be trading at 6.5x/5.7x 2025/26 EV/EBITDA, offering upside of ~70% vs. the current price.

Star7 - Valuation Recap

(Eu per share)	
DCF	11.9
Multiples	10.1
Fair Value ps	**11.0**
Premium / discount (%)	*0%*
Target price	**11.0**

Source: Intermonte SIM

After STAR7's growth path was temporarily penalised during 2023 by extraordinary costs related to the rationalisation and integration process for CAAR, we believe the indications emerging from FY24 results strongly confirm a definite upturn in business growth and margin expansion. With the full integration of CAAR achieved, we believe growth is definitely back on track and STAR7 is fully equipped to benefit from new opportunities.

From a financial perspective, we appreciate STAR7's robust and predictable revenue trends, based on the Integrale[7] business model and an even greater contribution from multi-year contracts that provide resilience to fluctuations in customers' volumes. We believe that in the coming years, STAR7 will consolidate the improvement in profitability thanks to further cost rationalisation and revenue growth in high-margin business lines and geographical markets. Alongside this, we also expect management's attention on optimising working capital to continue, with tight control of payment and collection timescales. This will result in promising prospects for future cash generation (>30% on EBITDA per annum).

From a business perspective, we believe the focus in 2025 could be on consolidating the excellent 2024 performance to fully prepare the Group for possible acquisition opportunities in 2026, while from an organic point of view, we appreciate management's clear strategic vision, with a focus on the aerospace/defence sector and international expansion (South America and India), while integration of generative artificial intelligence will probably accelerate growth further, with 7AI (a newly-launched revenue line) already delivering tangible results (€1mn of revenues in FY25).

All-in-all, we confirm our positive view on the stock, as we consider the current valuation particularly appealing in view of how the business is developing. Furthermore, we think the launch of the announced buyback, following final approval by shareholders, could support the stock price in the coming months.

STAR7 at a glance

Company description

STAR7 operates in the fields of translation and interpreting, automation of translation processes and language technologies, technical editing and content engineering, dedicated IT development, and print on demand. The success of these activities is linked to the Integrale[7] model, which enables integrated process management, starting with the product design phase, extending to the related drafting of technical and commercial information, translation, print services, digital and virtual product experience, and ending with after-sales support.

Management

Chairman & CEO: Lorenzo Mondo
GM: Matteo Gera
CFO: Pierluigi Valletta

Shareholding Structure

Dante Srl	41.7%
STAR AG	33.4%
Free float	25%

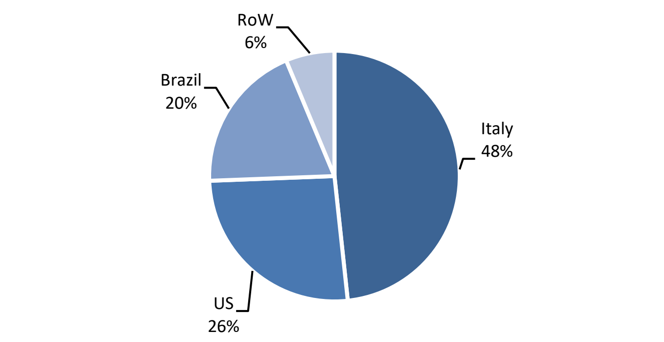
Strengths/Opportunities

- Full-range service provider
- Cross-selling opportunities due to the global view of the information development process
- Large, diversified and well-established international customer base providing revenue visibility
- Growth opportunities through use of innovative digital technologies
- Diversified exposure to a variety of sectors
- Scalable business model through customer portfolio expansion

Weaknesses/Threats

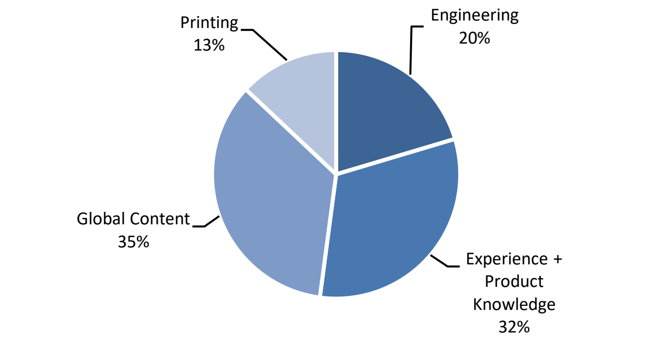
- Customer concentration, with the top three clients accounting for almost 40% of recurring total revenues
- Contract renewal risks with key customers
- Risk of inefficient integration of CAAR
- Risk of disruption of professional relationships with senior & specialised figures
- Risks associated with defending intellectual property rights
- Risks associated with contracting procedures

STAR7: FY24 Revenue Breakdown by Geography



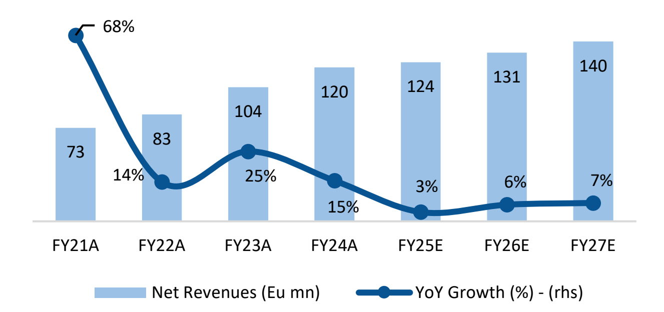
Source: Intermonte SIM

STAR7: FY24 Revenue Breakdown by Service



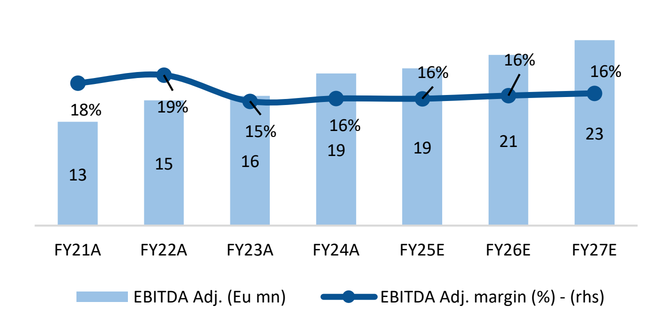
Source: Intermonte SIM

STAR7: Revenues (Eu mn) and YoY growth (%)



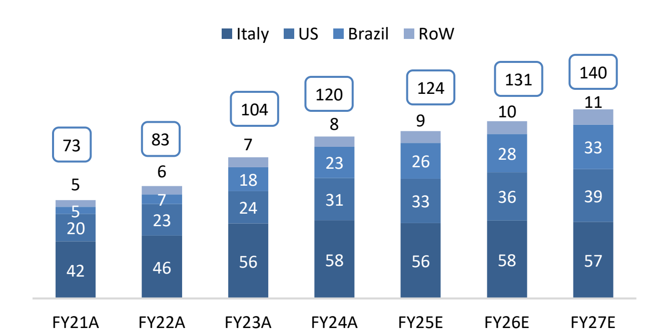
Source: Intermonte SIM

STAR7: EBITDA (Eu mn) and Margin (%)



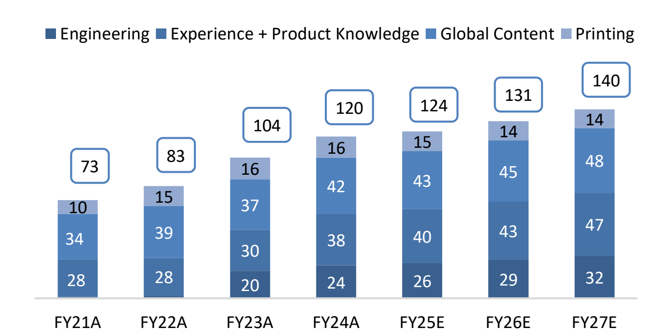
Source: Intermonte SIM

STAR7: Evolution of Revenue Breakdown by Geography



Source: Intermonte SIM

STAR7: Evolution of Revenue Breakdown by Service



Source: Intermonte SIM

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	**STAR7**		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	11.00	Previous Target (Eu):	10.50
Current Price (Eu):	6.55	Previous Price (Eu):	6.05
Date of report:	27/03/2025	Date of last report:	12/02/2025

Intermonte

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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

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

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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In order to disclose its possible conflicts of interest Intermonte SIM states that:

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Intermonte acts as ECM advisor to Banca Ifis in the offer promoted on illimity Bank

Intermonte acted as financial advisor to Retex S.p.A. – Società Benefit in relation to the voluntary public tender offer launched on Alkemy S.p.A.

Intermonte SIM is acting as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying

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Emittente	%	Long/Short

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Further information is available