

PRESS RELEASE

STAR7 – Board of Directors approves Draft Annual Report and Consolidated Financial Statements as at 31 December 2021 Guidance of €15 million EBITDA in 2022 confirmed

STRONG GROWTH IN REVENUES AND INCREASED OPERATING MARGIN

Revenues: €59.0 million (+36% vs. €43.5 million in 2020)

Pro-forma revenues*: €72.9 million (+18% vs. €61.8 million in 2020)

EBITDA: €8.7 million (+105% vs. €4.3 million in 2020)

EBITDA Margin: 14.8% (vs. 9.5% in 2020)

Pro-forma EBITDA*: €13.3 million (+44% vs. €9.2 million in 2020)

Pro-forma EBITDA Margin*: 18.2% (vs. 15% in 2020)

Profit for the year: €2.5 million (+47% vs. €1.7 million in 2020)

Net financial position: debt of €26.9 million as at 31.12.2021 (increase of €10.6 million compared to debt of €16.3 million as at 31.12.2020)

**The pro-forma figures take into account the 12-month impact of the acquisition of The Geo Group Corporation (April 2021) and LocalEyes Ltd. (November 2021).*

Valle San Bartolomeo (Alessandria, Italy), 28 March 2022 – The Board of Directors of **STAR7** (EGM: ticker STAR7) met today under the chairmanship of Lorenzo Mondo to examine and approve the Draft Annual Report and Consolidated Financial Statements as at 31 December 2021. STAR7 is a company that provides an integrated range of product-information services, from product and process engineering support to the creation and management of technical and marketing content, translation, printing and virtual experience. The financial statements were prepared in accordance with the Euronext Growth Milan Issuers Regulation and in compliance with Italian accounting standards.

Lorenzo Mondo, Chairman and Chief Executive Officer of STAR7, commented: *“2021 marked an important moment in the Group's growth, thanks to international acquisitions that allowed us to accelerate business development and the listing of STAR7 shares on Euronext Growth Milan, which took place on 23 December. The 2021 figures clearly show that our strategy is driving strong revenue growth, including through robust organic results, while also improving operating margins, as shown by the pro-forma EBITDA Margin which reached 18.2%.”*

Mondo added: *“We ended 2021 with a debt/EBITDA ratio that has already returned to the well-balanced level of 2x, based on pro-forma figures, despite the major acquisitions during the year. “We can therefore rely on a balanced financial situation as we look at the next external growth opportunities. The integration of LocalEyes is progressing efficiently and this well-organised foundation on which we can add new capabilities and resources further encourages us to explore ways to give more impetus to the Group's development.”*

PERFORMANCE AND FINANCIAL POSITION

Revenues

STAR7 Group **revenues** reached €59 million in 2021, up 36% on the previous year. Revenues of €28.1 million in the first six months of 2021 had already pointed to a significant recovery compared to the first half of 2020 (€19.7 million), which was affected by lockdowns due to the first wave of COVID-19. This positive trend then continued into the second half of the year, with revenues of €30.5 million, of which €2.3 million due to acquisitions. Revenues in 2021 were up 15% (+10% net of acquisitions) compared to 2019, the last financial year before the pandemic, demonstrating that STAR7 has returned to the double-digit annual growth trend that has been a feature of its development since 2010.

Based on **pro-forma** figures, which take into account the 12-month effect on revenues of the two acquisitions during the year (The Geo Group Corporation and LocalEyes Ltd.), STAR7 Group **revenues** in 2021 reached €72.9 million (+18% compared to the pro-forma 2020 figure). The compound annual growth rate is therefore confirmed at just under 20% for the period from 2013 to 2021.

The geographical breakdown of pro-forma 2021 revenues shows STAR7's increasing internationalisation through expansion in the North American market. The proportion of revenues from Italy fell from 76% in 2020 to 58% in 2021, while the USA's share increased from 8% in 2020 to 28% in 2021. Brazil's contribution remained at 7%, as it was in 2020. Revenues generated in other geographical areas cumulatively accounted for 8% in 2021, compared to 9% in 2020.

The Brazilian subsidiary achieved all-time record revenues in 2021, partly due to the acquisition of new major customers. However, the impact of this growth is not reflected in the Consolidated Income Statement due to the continuing unfavourable exchange rate of the Brazilian Real, which fell by an average of 8.5% against the Euro compared to 2020, with an impact on consolidated revenues of approximately €0.5 million.

The increase in revenues in 2021 was driven not only by the consolidation of the acquired companies, but also through organic growth by winning new customers, consolidating existing customer relationships through cross-selling, and offering higher value-added services.

Service lines as % of revenues	2021PF	2020FY
Engineering, Experience and Product Knowledge	40%	54%
Global Content	46%	33%
Printing	14%	14%

Global Content's share of the Group's total pro-forma revenues increased in 2021 due to the consolidation of LocalEyes. Engineering, Experience and Product Knowledge still accounts for the largest share of STAR7's revenues (40% of the total). Clients who are currently 'language services only' customers may be targeted for cross-selling into this area during 2022.

EBITDA

STAR7 Group **EBITDA** increased significantly in 2021, rising from €4.3 million in 2020 to €8.7 million (+105%). The **EBITDA Margin** therefore reached 14.8%, a significant increase not only compared to the 9.5% in 2020, but also compared to 11% in 2019.

The higher margins reflect the benefits of the cost rationalisation programme initiated in 2020, which were only fully seen in 2021, as well as the efficiencies gained through further offshoring in Albania, which continues to expand in order to support all of the STAR7 Group's services.

Pro forma EBITDA for 2021 amounted to €13.3 million, an increase of 44% compared to the pro forma figure of €9.2 million in 2020. The **pro-forma EBITDA Margin** for 2021 reached 18.2%, compared to 15% in 2020.

EBIT

In 2021, the STAR7 Group's **EBIT** reached €4.0 million, an increase of 58% compared to €2.5 million in 2020, despite the significant increase in amortisation associated with the goodwill of the acquired companies (+€2.4 million amortisation compared to 2020).

Profit for the year

In 2021, the STAR7 Group reported a **Net Profit** of €2.5 million, up 47% from €1.7 million in 2020, despite the increase in amortisation and financial expenses, which include the annual amounts payable on the debts incurred for the LocalEyes acquisition.

Net financial position

As at 31 December 2021, the STAR7 Group's **Net Financial Position** showed debt of €26.9 million, an increase of €10.6 million compared to the end of 2020 (debt of €16.3 million).

The change in the Net Financial Position reflects an increase in debt due to the issue of two mini-bonds listed on ExtraMOT PRO, for a total of €25 million, aimed at raising funds for the acquisition of LocalEyes. This increase was partly offset by the rise in liquidity following the €3 million capital increase subscribed by Kairos and the €15 million proceeds from the IPO.

Non-bank debt of €5.0 million payable to the seller of LocalEyes – with payments deferred over the next three years – must be added to this amount.

The **Debt-to-EBITDA ratio** therefore decreased from 3.3x in 2020 to 3.1x in 2021. Considering pro-forma EBITDA, the ratio in 2021 improved further, falling to 2.0x.

At the end of 2021, STAR7 is therefore in a well-balanced financial position, with access to the liquidity needed to continue developing both through organic growth and further M&A initiatives.

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MAIN EVENTS IN FY 2021

In **March 2021**, the acquisition of the production branch of **Grafitec s.r.l.** was finalised. Grafitec is an Italian company operating in the digital printing sector, specialising in classified and standard documentation for the Aerospace & Defence industry, enabling STAR7 to enter this sector.

In **April 2021**, STAR7 acquired 100% of **The Geo Group Corporation**, with the aim of increasing the Group's local presence in the United States, particularly in translation activities. The Geo Group is located in an area where STAR7's global customer, CNH Group, is also present. The service offering can therefore be extended locally to other interesting potential customers in the industrial sector. The acquisition of The Geo Group has also enabled STAR7 to strengthen its position in the field of professional translations for the medical sector.



November 2021 saw the largest M&A transaction in STAR7's history, with the acquisition of 100% of **LocalEyes Ltd.**, headquartered in Cork, Ireland, which in turn controls five other companies based in Europe and the US. LocalEyes, founded in 1997 to support Apple in the process of globalising its brand, employs around 150 people and specialises in translation and localisation, particularly for the Tech industry, a new sector for the STAR7 Group. The acquisition means that the STAR7 Group has added the Apple brand to its portfolio of premium clients and gained an even stronger presence in the American market, which remains the most important market globally in terms of volume and growth prospects in the language services business.

Also in **November 2021**, the STAR7 Group began its journey to open up to new shareholders through a reserved capital increase subscribed by the Kairos fund through its **ELTIF Kairos Renaissance** subfund. The proceeds provided further financial support for the completion of the LocalEyes acquisition.

Following the acquisition of LocalEyes, the STAR7 Group was able to present itself to the stock market with a more international structure and a significant presence in Tech, with the market leader now in its client portfolio.

In **December 2021**, **STAR7 shares were listed on the Euronext Growth Milan stock market**. At the IPO, 24.9% of STAR7's share capital was offered on the market through the sale of own shares and the issue of new shares at a unit price of €8.25, raising a total of €15 million. Kairos increased its stake to 6.1% of STAR7's capital at the time of the IPO.

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SUBSEQUENT EVENTS

Building on the significant results achieved in 2021, STAR7 has begun 2022 with some important milestones that shine a light on its future growth path. These included the renewal of major long-term contracts and the acquisition of leading clients in sectors in which it has strengthened its presence, especially in the translation business.

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OUTLOOK

STAR7 continues to see clear growth prospects in 2022 despite new external challenges, including uncertainty over the duration of the Russia-Ukraine conflict, inflationary pressures fuelled by rising commodity prices, and new waves of the pandemic. Persistent issues in some supply chains and ongoing geopolitical tensions may affect the timing of the launch of new products and services by some of its clients. However, STAR7 is able to carefully monitor the various sectors in its portfolio to identify those that may be more exposed and to select the most interesting opportunities, leveraging a diversified presence in geographical markets and businesses. Efforts will therefore be mainly directed to where growth is most visible and easily achievable, such as the US market.

The integration of LocalEyes is progressing quickly, fully validating the strategic value of the acquisition and encouraging STAR7 to explore further M&A opportunities, as indicated at the time of the IPO.

The progress reported in the 2021 Annual Report confirms that the current growth strategy is generating positive earnings and financial performance. This, in turn, makes it possible to confirm the guidance given at the time of the IPO of being able to achieve an **EBITDA of €15 million in 2022**, despite the scenario becoming more challenging in the meantime. By reaching this level, the minimum threshold to avoid the

cancellation of Price Adjustment Shares (PAS) held by the key shareholders will be met. The characteristics of these shares are described in the Admission Document.

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ALLOCATION OF PROFIT FOR THE YEAR

Profit for the year of €2.5 million is proposed to be allocated as follows:

- €19,868 to the legal reserve up to the legal limit under Article 2430 of the Italian Civil Code;
- the remaining €2,451,052 million to retained earnings.

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NOTICE OF ORDINARY SHAREHOLDERS' MEETING

The Board of Directors also resolved to convene the Ordinary Shareholders' Meeting on 28 April 2022 at first call and, if necessary, on 29 April at second call, with the following agenda:

Approval of the annual report as at 31 December 2021;

Allocation of the profit for the year;

Approval of the merger of STAR7 Engineering S.r.l. into STAR7 S.p.A.

Approval of the merger of AD Studio S.r.l. into STAR7 S.p.A.

The Notice of the Shareholders' Meeting and the related documentation will be made available to the public within the terms and in the manner established by current legislation.

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FILING OF DOCUMENTATION

A copy of the Consolidated Financial Report as at 31 December 2021, including the Independent Auditors' Report, will be made available to the public within the terms set out by law at the company's registered office in Valle San Bartolomeo (Alessandria, Italy), as well as by publication on the company's website www.star-7.com in the section "Investor Relations/Reports and financial statements", and on the authorised storage mechanism www.1info.it.

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CONFERENCE CALL TO PRESENT 2021 RESULTS

The results for the 2021 financial year will be presented in a conference call by STAR7's management today, Monday 28 March 2022, at 6:00 p.m. CET.

The conference call can be joined by registering at the following URL:

https://teams.microsoft.com/registration/IKKIHVxfqEKAgUpnuqAfxA,aO-tHw7pbkWMK4samIBWxQ,3M82bKFUn0GhdJhzfGiLXg,_awmAGTqREC19L6lV4t8mQ,y6pZb8j8vkym6p6wpqOq7A,F4IRnz5rMkq_VraVw-Z2cQ?mode=read&tenantId=1d88a220-5f5c-42a8-8081-4a67baa01fc4&skipauthstrap=1



The presentation will be available from the start of the conference call on the company website at:
<https://www.star-7.com/en/investor-relations/presentations>

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This document is an English translation from Italian. The Italian original shall prevail in case of difference in interpretation and/or factual errors.

STAR7

For more than 20 years, STAR7 has served its customers as a leader in the product information sector. Support for product and process engineering, creating and managing technical content, as well as marketing, translation, printing and virtual experience: STAR7's range of services mean it can assist its customers throughout the product life-cycle – from design to aftersales.

The hallmark of STAR7 has always been an approach capable of combining specific know-how, technology and overview to offer the best possible solutions to the needs of customers and the global market. This approach has seen STAR7 strike major partnerships with leading international companies, establishing it as a reliable and credible global partner.

STAR7 is part of the STAR Group network.

www.star-7.com.

FOR MORE INFORMATION:

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ANNEXES

INCOME STATEMENT

	31 Dec. 2021	31 Dec. 2021	Change	Change %
Net revenues	58,992,426	43,460,628	15,531,798	35.7%
Other revenues	1,003,507	1,349,637	-346,130	-25.6%
Change in inventories and increases in fixed assets	28,824	- 205,116	233,940	-114.1%
External costs	-28,767,306	-24,286,991	-4,480,315	18.4%
Added Value	31,257,451	20,318,158	10,939,293	53.8%
Personnel costs	-22,977,581	-15,936,832	-7,040,749	44.2%
EBITDA	8,279,870	4,381,326	3,898,544	89.0%
Depreciation/amortisation, impairment and other provisi -	4,289,087	- 1,856,612	-2,432,475	131.0%
EBIT	3,990,783	2,524,714	1,466,069	58.1%
Net financial income	- 632,967	- 317,711	-315,256	99.2%
Ordinary income	3,357,816	2,207,003	1,150,813	52.1%
Gain (losses) on investments	751	- 73,589	74,340	-101.0%
Profit before taxes	3,358,567	2,133,414	1,225,153	57.4%
Income taxes	- 887,647	- 448,296	-439,351	98.0%
Net profit	2,470,920	1,685,118	785,802	46.6%

BALANCE SHEET

	31 Dec. 2021	31 Dec. 2020	Change	Change %
Net intangible assets	41,085,421	8,305,500	32,779,921	394.7%
Net tangible assets	6,468,229	5,387,641	1,080,588	20.1%
Equity holdings and other financial investments	229,283	511,857	-282,574	-55.2%
Fixed assets	47,782,933	14,204,998	33,577,935	236.4%
Inventories	1,414,322	734,851	679,471	92.5%
Trade receivables	23,990,540	23,577,315	413,225	1.8%
Receivables from associates	1,569,324	371,187	1,198,137	322.8%
Other receivables	4,705,448	2,664,266	2,041,182	76.6%
Accruals and prepaid expenses	1,632,214	873,399	758,815	86.9%
Current assets	33,311,848	28,221,018	5,090,830	18.0%
Trade payables	- 7,388,534	- 5,582,035	-1,806,499	32.4%
Other payables to associates	- 564,804	- 1,110,143	545,339	-49.1%
Advance payments	-	-	0	0.0%
Outstanding tax and social security debts	- 2,481,535	- 1,423,984	-1,057,551	74.3%
Other payables	- 5,503,030	- 1,956,470	-3,546,560	181.3%
Accruals and deferred income	- 3,343,496	- 1,192,633	-2,150,863	180.3%
Current liabilities	-19,281,398	-11,265,265	-8,016,133	71.2%
Net working capital	14,030,450	16,955,753	-2,925,303	-17.3%
Severance pay	- 3,900,178	- 3,280,750	-619,428	18.9%
Tax and social security debts (beyond the following financial year)	-	-	0	0.0%
Other non-current liabilities	- 499,892	- 534,426	34,534	-6.5%
Non-current liabilities	- 4,400,070	- 3,815,176	-584,894	15.3%
Invested Capital	57,413,313	27,345,575	30,067,738	110.0%
Shareholders' Equity	-25,505,057	-11,023,143	-14,481,914	131.4%
Short-term Net Financial Position	10,813,184	- 2,832,702	13,645,886	-481.7%
MLT Net Financial Position	-42,721,439	-13,489,730	-29,231,709	216.7%
Net equity and Net financial debt	-57,413,313	-27,345,575	-30,067,738	110.0%

CASH FLOW STATEMENT

	31 Dec. 2021	31 Dec. 2020
A) Cash flow from operations (indirect method)		
Profit (loss) for the year	2,470,920	1,685,118
Income taxes	887,647	448,296
Financial expense/(income)	632,581	315,909
(Capital Gains)/Losses from asset disposal	(2,167)	30,953
1) Profit (loss) for the year before taxes, financial expense, dividends, and gains/losses from disposals	3,988,981	2,480,276
Adjustments for non-cash items that had no impact on net working capital		
Provisions	1,011,769	838,697
Depreciation of fixed assets	4,209,269	1,686,620
Value adjustments to financial assets and liabilities of financial derivatives with no cash impact	4,085	73,590
Other upward/(downward) adjustments for non-cash items	(224,950)	
Total adjustments for non-cash items that had no impact on net working capital	5,000,173	2,598,907
2) Cash flow before changes in net working capital	8,989,154	5,079,183
Changes in net working capital		
Decrease/ (Increase) in inventories	(679,471)	(76,284)
Decrease/(Increase) in trade receivables	(48,091)	2,208,143
Increase/(Decrease) in trade payables	1,441,365	(80,112)
Decrease/(Increase) in accruals and prepaid expenses	(758,815)	(86,144)
Increase/(Decrease) in accrued charges and deferred income	2,150,863	920,382
Other decrease/(Other increase) in net working capital	93,344	(639,159)
Total changes in net working capital	2,199,195	2,246,826
3) Cash flow after changes in net working capital	11,188,349	7,326,009
Other adjustments		
Interest received/ (paid)	(632,581)	(315,909)
(Income taxes paid)	(486,293)	(448,296)
(Use of funds)	(328,341)	(281,796)
Total amount of other adjustments	(1,447,215)	(1,046,001)
Cash flow from operations (A)	9,741,134	6,280,008
B) Cash flow from investing activities		
Tangible assets		
(Investments)	(2,195,715)	(1,974,827)
Disposals	90,162	621,645
Intangible assets		
(Investments)	(3,857,573)	(3,822,507)
Disposals		
Financial assets		
(Investments)	311,277	(394,154)
Disposals		287,500
(Acquisitions of subsidiaries net of cash)	(31,536,450)	
Cash flow from investing activities (B)	(37,188,299)	(5,282,343)
C) Cash flow from financing activities		
Third parties		
Increase/(Decrease) in short-term bank loans	(42,275)	(7,581,713)
Loans taken	35,127,990	10,370,470
(Loans repayment)	(2,010,873)	(966,855)
Equity		
Paid capital increase	11,827,500	
Cash flow from financing activities (C)	44,902,342	1,821,902
Increase (decrease) in cash (A ± B ± C)	17,455,177	2,819,567
Foreign exchange effect on cash holdings	33,841	(235,651)
Cash and cash equivalents at the beginning of the year		
Bank and postal deposits	5,991,502	3,402,622
Cash and cash in hand	5,017	9,981
Total cash and cash equivalents at the beginning of the year	5,996,519	3,412,603
Cash and cash equivalents at the end of the year		
Bank and postal deposits	23,478,324	5,991,502
Cash and cash in hand	7,214	5,017
Total cash and cash equivalents at the end of the year	23,485,538	5,996,519