

## EQUITY RESEARCH

### STAR7 RESULTS REVIEW Press release

**BUY**

**TP 12.2€ (vs 12.1€)**  
Up/Downside: 41%

### STAR7 rents the process engineering brench of CAAR Spa

**As CAAR prepares to restructure its debt, STAR7 is now well positioned to acquire and amplify the qualified technical know-how that is the beating heart of the company's integral approach.**

Following the term sheet signed on 29 November, STAR7 has signed a corporate lease agreement with Consulting Automotive Aerospace Railway (CAAR). The agreement is effective from 1 January 2023 and, once the company will have completed its debt restructuring (or liquidation), STAR7 will take the opportunity to acquire it.

CAAR S.p.a. was founded in 2009 and today offers consulting services mainly in Europe (Italy) and Brazil, where STAR7 has been present since its foundation in 2000 and 2013 respectively. The two groups have many clients in common (Stellantis, IVECO, Cnh Industrial...) to whom CAAR has offered the engineering consulting services that STAR7 reserved until last year to Ferrari, at its headquarters in Maranello. This acquisition is therefore perfectly in line with the desire to integrate engineering consultancy with active customers and further strengthens the "integral7" vision.

STAR7 has decided to intervene to ensure the continuity of the company, which has been compromised by a crisis situation, with the aim of promoting the most appropriate initiatives to maintain the continuity of the business in order to protect the creditors and the historical relationships with the group's clients (most of which are in common).

STAR7, regardless of the success or failure of the debt restructuring, will make a takeover offer of €2.8m cash, securing the payment of a further €3.2m to the banks (to be repaid by 2027) and employment benefits payments up to €1.3m, all of the three have already been inserted in the model (it is considered that the takeover will take place with a high degree of probability). The annual rent has been set at €120k.

STAR7 will record an additional turnover of €15m for the engineering division. The €100m turnover target will therefore be reached two years earlier than planned and STAR7 will have a more balanced P&L top line between translation and engineering services. Thanks to the plentiful synergies, it is estimated that EBITDA could increase by €1.5m already in 2023, the consolidated EBTDA margin will decrease from the 18.6% expected in 2022 to around 16.5% in 2023, with the objective in the following years to reassess the pre-operation consolidated margin level.

Very attractive recommendation with TP adjusted to €12.2 (vs €12.1).

#### Key data

Price (€)	8.7
Industry	Corporate Services
Ticker	STAR7-IT
Shares Out (m)	9.000
Market Cap (m €)	77.9
Average trading volumes (k shares / day)	7.701

#### Ownership (%)

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

EPS (€)	12/22e	12/23e	12/24e
Estimates	0.54	0.64	0.73
Change vs previous estimates (%)	0.96	3.10	1.49

Performance (%)	1D	1M	YTD
Price Perf	1.9	1.9	1.9
Rel FTSE Italy	-1.2	2.3	-1.2



TP ICAP Midcap Estimates	12/21	12/22e	12/23e	12/24e	Valuation Ratio	12/22e	12/23e	12/24e	Consensus FactSet - Analysts:2	12/22e	12/23e	12/24e
Sales (m €)	60.0	82.9	105.4	114.5	EV/Sales	1.3	1.0	0.9	Sales	79.2	87.8	95.2
Current Op Inc (m €)	4.1	7.7	9.0	10.0	EV/EBITDA	6.9	6.3	5.2	EBIT	10.0	11.6	13.5
Current op. Margin (%)	6.8	9.3	8.6	8.7	EV/EBIT	13.7	12.0	10.0	Net income	4.2	5.4	6.8
EPS (€)	0.29	0.54	0.64	0.73	PE	16.2	13.5	11.9				
DPS (€)	0.00	0.00	0.00	0.00								
Yield (%)	0.0	0.0	0.0	0.0								
FCF (m €)	3.0	-0.1	3.0	8.4								

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## FINANCIAL DATA

<b>Income Statement</b>	<b>12/19</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22e</b>	<b>12/23e</b>	<b>12/24e</b>
Sales	53.7	44.6	60.0	82.9	105.4	114.5
Changes (%)	na	-17.0	34.6	38.0	27.2	8.7
Gross profit	50.2	41.8	56.3	78.2	100.5	109.5
% of Sales	93.4	93.8	93.7	94.4	95.4	95.6
<b>EBITDA</b>	<b>5.9</b>	<b>4.4</b>	<b>8.3</b>	<b>15.1</b>	<b>17.1</b>	<b>19.1</b>
% of Sales	11.1	9.8	13.8	18.3	16.2	16.7
<b>Current operating profit</b>	<b>4.2</b>	<b>2.7</b>	<b>4.1</b>	<b>7.7</b>	<b>9.0</b>	<b>10.0</b>
% of Sales	7.9	6.0	6.8	9.3	8.6	8.7
Non-recurring items	0.0	0.2	0.1	0.1	0.1	0.2
EBIT	4.2	2.5	4.0	7.6	8.9	9.8
Net financial result	0.2	0.3	0.6	1.9	2.1	2.1
Income Tax	1.5	0.4	0.9	1.1	1.4	1.6
Tax rate (%)	36.8	21.0	26.4	20.2	20.7	21.2
<b>Net profit, group share</b>	<b>2.4</b>	<b>1.5</b>	<b>2.2</b>	<b>4.1</b>	<b>4.9</b>	<b>5.6</b>
EPS	na	na	0.29	0.54	0.64	0.73
<b>Financial Statement</b>	<b>12/19</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22e</b>	<b>12/23e</b>	<b>12/24e</b>
Goodwill	4.1	4.8	35.5	30.1	32.2	27.4
Tangible and intangible assets	6.3	8.9	12.0	13.9	15.4	15.4
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.4	0.5	0.3	0.3	0.3	0.3
Working capital	20.3	17.8	15.3	23.4	29.4	32.0
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0
<b>Assets</b>	<b>31.0</b>	<b>32.0</b>	<b>63.1</b>	<b>67.6</b>	<b>77.4</b>	<b>75.1</b>
Shareholders equity group	9.8	10.3	24.6	28.7	33.6	39.2
Minorities	0.7	0.7	0.9	1.3	1.8	2.4
LT & ST provisions and others	3.5	4.7	5.7	5.7	7.0	7.0
Net debt	15.9	14.5	27.1	27.1	30.1	21.7
Other liabilities	1.1	1.8	4.9	4.9	4.9	4.9
<b>Liabilities</b>	<b>31.0</b>	<b>32.0</b>	<b>63.1</b>	<b>67.6</b>	<b>77.4</b>	<b>75.1</b>
Net debt excl. IFRS 16	15.9	14.5	27.1	27.1	30.1	21.7
Gearing net	1.5	1.3	1.1	0.9	0.9	0.5
Leverage	2.7	3.3	3.3	1.8	1.8	1.1
<b>Cash flow statement</b>	<b>12/19</b>	<b>12/20</b>	<b>12/21</b>	<b>12/22e</b>	<b>12/23e</b>	<b>12/24e</b>
CF after elimination of net borrowing costs and taxes	4.0	3.2	6.7	12.0	13.5	15.3
$\Delta$ WCR	-7.7	2.2	2.2	-8.2	-6.0	-2.6
Operating cash flow	-3.7	5.5	8.9	3.8	7.5	12.7
Net capex	-1.8	-5.2	-6.0	-3.9	-4.5	-4.3
FCF	-5.5	0.3	3.0	-0.1	3.0	8.4
Acquisitions/Disposals of subsidiaries	-3.1	0.0	-31.6	0.0	-6.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
Change in borrowings	9.1	1.8	33.1	0.0	3.2	0.0
Dividends paid	-0.8	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	0.0	11.8	0.0	0.0	0.0
Others	-0.0	-0.2	0.0	0.0	0.0	0.0
Change in net cash over the year	-0.6	1.8	16.5	-0.1	0.2	8.4
ROA (%)	8.1%	5.3%	3.9%	6.6%	7.0%	8.1%
ROE (%)	25.7%	16.3%	10.0%	15.7%	16.1%	15.6%

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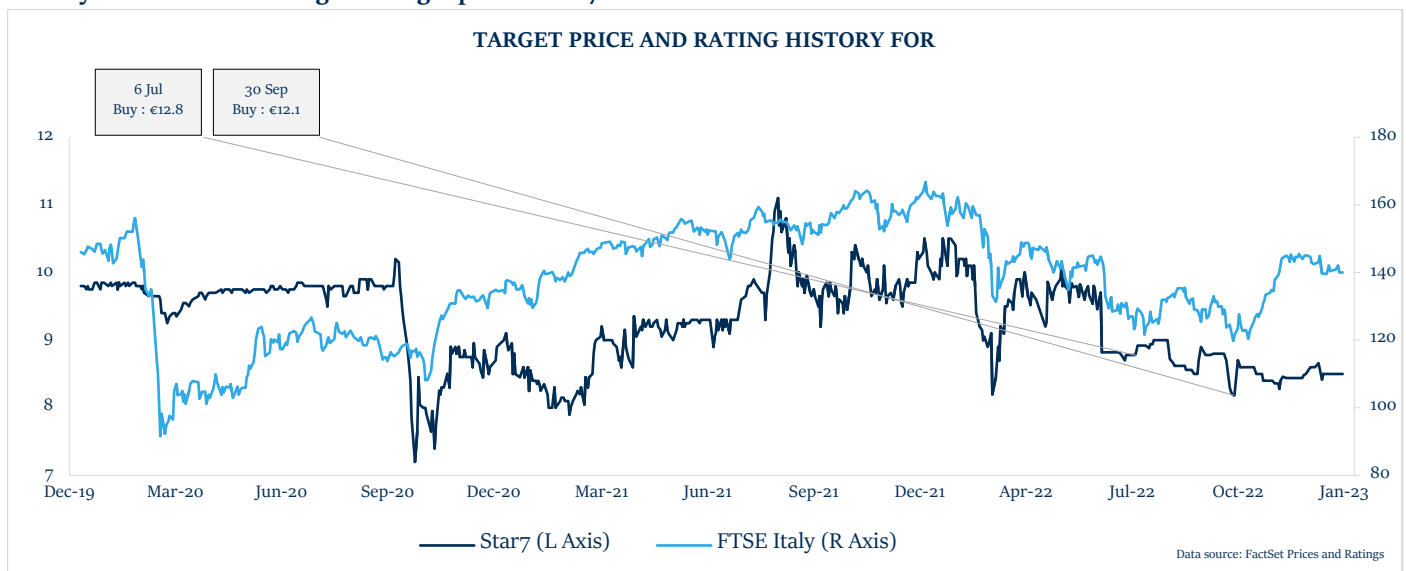
This Report may mention evaluation methods defined as follows:

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



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Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	86%	63%
Hold	13%	39%
Sell	1%	0%
Under review	1%	100%

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The history of ratings and target prices for the Issuers covered in this report are available on request at <https://researchtpicap.midcapp.com/en/disclaimer>.

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