

# EQUITY RESEARCH

**STAR7**  
FEEDBACK

**BUY**

**TP 12.9€**  
Up/Downside: 105%

## The Ferrari Business Case

In Maranello, Star7, with the Ferrari case, its second client for revenue generation, showed us what it's like to be at the top of the corporate information management grand prix.

STAR7 is Italian excellence in the handling of the technological and documentary ecosystem necessary for the success of any industrial product, from process engineering to the training of technicians, including the production of technical documentation, its translation and printing to add to the world. The company has over 1,000 customers worldwide and operates in more than 20 different sectors.

Automotive is the main sector of activity (34%), followed by technology (15%), luxury goods (15%), agriculture (9%) and aerospace and defence (8%). Its most important customers to date include Apple, Ferrari, Iveco, Leonardo and Stellantis. Following the acquisition of CAAR, for which the company will pay €5.5m between late 2023 and early 2024, the company employs 425 engineers out of a workforce of 1,200, who are the beating heart of the group.

On Thursday 30 November, we were welcomed to Ferrari's headquarters in Maranello, the ideal place to admire the potential of the company's five business units applied to a single client. During the visit, we were able to understand how STAR7 works alongside Ferrari in the engineering and preparation of documents for all projects, both physical and digital; we understood how augmented reality can be applied to training and education; and finally, we took a step further into the future by talking about artificial intelligence and how it will be applied to the company's data to enable an absolutely unique assistance experience. A real journey into the future.

As STAR7's financial statements are prepared in accordance with Italian accounting standards, we have revised our estimates, which no longer take into account the amortisation of goodwill relating to acquired companies, in order to better compare the company with international market peer comparisons. This process has resulted in an increase of €3.9m in EBIT and net profit estimates for future years. We would point out that the amortisation of goodwill relating to the acquisition of Localeyes (which led to the customer Apple Inc.) alone is quantifiable at around €3.1m.

We expect the company to generate around €2m of cash during 2023, which would correspond to a price today of around 5.6x EBITDA, 7.6x adjusted EBIT and 12.3x adjusted net profit 2023. A very low price, given the company's excellent growth potential and technological advance. TP unchanged 12.9€, BUY.

### Key data

Price (€)	6.3
Industry	Corporate Services
Ticker	STAR7-IT
Shares Out (m)	9.000
Market Cap (m €)	56.7

### Ownership (%)

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

EPS (€)	12/23e	12/24e	12/25e
Estimates	0.95	1.05	1.25
Change vs previous estimates (%)	92.31	29.74	29.31

Performance (%)	1D	1M	YTD
Price Perf	0.0	-1.6	-25.9
Rel FTSE Italy	-0.1	-7.5	-40.6



TP ICAP Midcap Estimates	12/22	12/23e	12/24e	12/25e	Valuation Ratio	12/23e	12/24e	12/25e
Sales (m €)	85.0	107.2	116.7	125.4	EV/Sales	0.8	0.7	0.6
Current Op Inc (m €)	11.8	11.8	13.0	15.3	EV/EBITDA	5.6	4.6	3.5
Current op. Margin (%)	13.9	11.0	11.1	12.2	EV/EBIT	7.6	6.6	5.2
EPS (€)	0.92	0.95	1.05	1.25	PE	6.6	6.0	5.1
DPS (€)	0.00	0.00	0.00	0.00				
Yield (%)	0.0	0.0	0.0	0.0				
FCF (m €)	-1.4	1.6	4.5	6.8				

Consensus FactSet - Analysts:2	12/23e	12/24e	12/25e
Sales	107.0	117.2	125.7
EBIT	9.3	14.4	17.1
Net income	4.0	7.5	9.6

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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	107.2	116.7	125.4
Changes (%)	-17.0	34.6	41.6	26.2	8.9	7.4
Gross profit	41.8	56.3	79.8	101.6	110.1	118.7
% of Sales	93.8	93.7	93.9	94.8	94.3	94.7
<b>EBITDA</b>	<b>4.4</b>	<b>8.3</b>	<b>15.5</b>	<b>16.1</b>	<b>18.8</b>	<b>22.2</b>
% of Sales	9.8	13.8	18.3	15.0	16.1	17.7
<b>Current operating profit</b>	<b>2.7</b>	<b>5.2</b>	<b>11.8</b>	<b>11.8</b>	<b>13.0</b>	<b>15.3</b>
% of Sales	6.0	8.6	13.9	11.0	11.1	12.2
Non-recurring items	-0.2	-0.1	-0.1	-0.1	-0.2	-0.2
EBIT	2.5	5.1	11.6	11.7	12.8	15.1
Net financial result	-0.3	-0.6	-2.3	-2.6	-2.6	-2.6
Income Tax	-0.4	-0.9	-1.9	-1.8	-2.2	-3.0
Tax rate (%)	21.0	19.8	20.8	19.8	21.5	24.0
<b>Net profit, group share</b>	<b>1.5</b>	<b>3.3</b>	<b>7.1</b>	<b>7.3</b>	<b>8.0</b>	<b>9.5</b>
EPS	0.20	0.43	0.92	0.95	1.05	1.25
<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	33.6	28.5	23.7	19.1
Tangible and intangible assets	8.9	12.0	12.5	16.1	18.4	19.8
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	24.9	28.2	30.4	32.3
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>73.6</b>	<b>73.1</b>	<b>71.9</b>
Shareholders equity group	10.3	24.6	28.3	31.7	35.7	41.3
Minorities	0.7	0.9	1.2	1.2	1.2	1.2
LT & ST provisions and others	4.7	5.7	7.2	7.2	7.2	7.2
Net debt	16.3	31.9	35.1	33.5	29.0	22.2
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Liabilities</b>	<b>32.0</b>	<b>63.1</b>	<b>71.8</b>	<b>73.6</b>	<b>73.1</b>	<b>71.9</b>
Net debt excl. IFRS 16	16.3	31.9	35.1	33.5	29.0	22.2
Gearing net	1.5	1.3	1.2	1.0	0.8	0.5
Leverage	3.7	3.9	2.3	2.1	1.5	1.0
<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	7.7	12.4	11.5	13.9	16.5
$\Delta$ WCR	2.2	2.2	-9.6	-3.3	-2.1	-1.9
Operating cash flow	5.5	9.9	2.8	8.2	11.7	14.6
Net capex	-5.2	-6.1	-4.2	-6.6	-7.2	-7.8
FCF	0.3	3.8	-1.4	1.6	4.5	6.8
Acquisitions/Disposals of subsidiaries	0.0	-31.6	-2.2	0.0	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	-5.7	-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	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	17.4	-5.2	-4.1	1.7	4.0
ROA (%)	5.3%	5.7%	10.3%	9.9%	11.0%	13.2%
ROE (%)	16.3%	14.6%	26.2%	23.0%	22.4%	23.1%

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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	81%	63%
Hold	16%	54%
Sell	2%	0%
Under review	1%	100%

Midcap employs a rating system based on the following:

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Hold: expected performance between -10% and +10% compared to the market over a 6 to 12 months horizon.

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