

PRESS RELEASE

STAR7 – Board of Directors approves Draft Annual Report and Consolidated Financial Statements as at 31 December 2023

Engineering service line drives revenues, expressing the synergy potential between organic and inorganic growth

STRONG GROWTH IN REVENUES

EBITDA MARGIN RECOVERING IN THE SECOND HALF OF 2023

Revenues: €104.4 million (+25.4% vs. €83.3 million in 2022)

EBITDA: €14.6 million (-5.4% vs. €15.5 million in 2022)

EBITDA Margin: 14.0% (-460 basis points from 18.6% in 2022)

Adjusted EBITDA*: €16.0 million (+3.3% vs. €15.5 million in 2022)

Adjusted EBITDA Margin*: 15.3% (-327 basis points from 18.6% in 2022)

Net income attributable to the Group: €1.8 million (-41.4% vs. €3.1 million in 2022)

Net income for the year with amortisation of goodwill on acquisitions under IFRS:
€5.8 million

Net Financial Position: debt of €37.8 million as at 31 December 2023 (+€2.7 million compared to debt of €35.1 million as at 31 December 2022)

Net Financial Position: debt of €31.5 million as at 29 February 2024 (source: Management Information)

** Adjustments mainly relate to integration costs of the CAAR Group business division*

Valle San Bartolomeo (Alessandria, Italy), 28 March 2024 – 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 2023. 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: *"The year 2023 marked a new milestone in STAR7's development. The top-line numbers are a meaningful expression of the potential of our Integrale⁷ business model, in terms of the upselling and cross-selling that it is able to set in motion, particularly when we integrate major new entities into our business. This was the case with LocalEyes, which we acquired at the end of 2021 and has strengthened our position in Global Content, opening up opportunities in new and very attractive geographies, such as India. And this is also what is happening now with the lease of the CAAR Group business division, which began on 1 January 2023. We have managed to*



not only maintain but also augment the project portfolio within Engineering Services, through the upselling and cross-selling of a combination of engineering and Product Knowledge services from across the STAR7 portfolio.

Lorenzo Mondo continued: "Integrating CAAR and setting up a fully scalable offshoring system in Albania demanded a lot of effort. This led to some temporary inefficiencies in our operations, even though we had a cost rationalisation plan in place and were already putting it into action in many areas. However, the decisions made have already brought positive results, with the EBITDA margin rising to 14.3% in the second half of the year from 13.6% in the first half of 2023.

"Our internal numbers for the early months of 2024 offer further evidence that this financial year might continue to see ongoing revenue growth along with a good recovery in margins," concluded the Chairman.

PERFORMANCE AND FINANCIAL POSITION

Revenues

In 2023, STAR7 Group **Revenues** reached €104.4 million, an increase of 25.4% on the 2022 figure and in line with what was announced on 8 February 2024, when Preliminary Revenues 2023 were published. The trend of annual double-digit growth, which has been a feature of the company's development since 2000, therefore continued in the latest financial year.

Underlying the brilliant performance in terms of revenue is a consistent application of the **Integrale⁷ model**, which in 2023 successfully fuelled organic growth through effective cross-selling and upselling of services to existing customers. The **Engineering service line played a key role in propelling growth** in 2023, due to the STAR7 Group's ability to blend **organic and inorganic growth** effectively, following the lease of the CAAR Group business division, which was signed at the end of 2022 and effective from 1 January 2023. In the course of the financial year, STAR7 sealed important **multi-year contracts with some key customers** in its portfolio, the positive effects of which will extend into the coming years.

All sectors in which STAR7 Group customers operate made a positive contribution to growth, although the greatest momentum came from the areas of Transport, Aerospace & Defence, and Machinery. In these businesses, demand focused particularly on Engineering, Product Knowledge and Global Content services.

Service Lines as a % of Group Revenues	2022	2023
Global Content	46.3%	35.9%
Experience and Product Knowledge	33.4%	29.0%
Engineering	2.5%	19.6%
Printing	17.8%	15.5%

Global Content services saw revenues grow in absolute terms in 2023, but at a slower rate than Engineering, which accounted for 19.6% of the total, compared to 2.5% in 2022.

Printing services also grew in absolute value in 2023, both in Italy and Brazil, leveraging on a wide range of products and a strong diversification of the sectors served.

Geographical breakdown of Group revenues	2022	2023
Italy	55.8%	53.2%
USA	28.2%	22.8%
Brazil	8.7%	17.1%
Rest of the World	7.3%	6.9%

The geographical breakdown of 2023 Revenues confirms the success of STAR7's internationalisation strategy. In fact, the concentration of the Group's revenue realised in Italy continues to fall, albeit in 2023 turnover in Italy continued to rise in absolute terms. The STAR7 Group's revenues in Brazil are also increasingly significant, accounting for 17.1% of total revenues in 2023, registering the tenth consecutive year of double-digit growth.

EBITDA

In the financial year 2023, the STAR7 Group's **EBITDA** amounted to €14.6 million, down 5.4% from €15.5 million in the previous year. Net of adjustments, which mainly relate to the costs of integrating the CAAR Group business division, consolidated Adjusted EBITDA amounted to €16.0 million, showing an improvement of 3.3% over the 2022 figure.

The **EBITDA** Margin for the financial year 2023 was 14.0%, while the Adjusted EBITDA Margin stood at 15.3%: this is lower than the 18.6% recorded in 2022, but in line with the 2021 figure.

EBITDA Margin	
2023	14.0%
2023 Adjusted	15.3%
2022	18.6%
2021	14.0%
2020	9.5%

Despite the need for organisational reinforcements to handle the new major contracts signed recently, the STAR7 Group's operating margins stayed the same, in organic terms, in 2023 as they





were in 2022. The process of integrating CAAR inevitably caused a temporary drop in the STAR7 Group's overall margins, despite the fact that it was clearly set up and faithfully implemented from the outset. In particular, this process involved strong cost-reduction activities along two main lines: the first involved identifying synergies between functions and working significantly on reducing inefficiencies and workforce saturation already present when the business division was leased; the second involved rationalising redundant costs in terms of operational structures, external supplies and offices.

The EBITDA Margin therefore progressively improved in the second half of 2023. Compared to 13.6% in the first half of 2023, the EBITDA Margin recovered to a level of 14.3% in the second half of the year, reflecting progress in the implementation of the CAAR Group integration strategy and the rationalisation process that the STAR7 Group had already started some time ago, by strengthening the operating unit in Albania, where there are now 183 professionals in two different operating offices.

The trend of progressive margin recovery was further confirmed in early 2024, with the integration process expected to be completed by the first quarter of 2024.

EBIT

In 2023, the STAR7 Group's **EBIT** amounted to €6.4 million, down 17.0% from €7.7 million in 2022, after absorbing depreciation, amortisation, write-downs and provisions that were up 5.9% year-on-year, mainly due to new investments.

Profit for the period

In 2023, the STAR7 Group reported Group **Net Profit** of €1.8 million, down 41.4% from €3.1 million in 2022.

The bottom line of the Income Statement reflects, in addition to the €1.3 million decrease in EBIT, the €0.7 million increase in Net Financial Expenses, which reached €3.0 million in 2023, due to higher average net financial debt and the increased cost of short-term debt.

Taxes for 2023, on the other hand, decreased by €0.8 million to €1.2 million, with the tax rate dropping from 36.2% in 2022 to 34.6% in 2023, mainly due to the lower tax base.

The M&A transactions carried out to date have generated goodwill of €29.7 million and associated amortisation of €4 million. In order to provide a similar representation to that adopted by other European companies, STAR7 notes that, excluding this amortisation, profit for the year 2023 would be €5.8 million, as detailed in Section B of the Notes to the Financial Statements.

Net financial position

At 31 December 2023, the STAR7 Group's **Net Financial Position** showed debt of €37.8 million, an increase of €2.7 million compared to the figure of €35.1 million at the end of 2022.

The Net Financial Position, which continues to have a significant weighting of medium- and long-term maturities, is composed of two bonds for a total of €20.4 million, repayment of which started in 2023 and will end in 2028, medium- and long-term debt of €8.9 million, short-term debt of €13.5 million, and Leasing and Vendor Loans related to acquisitions of €4.3 million, against an available liquidity of €9.3 million.

NFP composition as at 31 December 2023	€ million
Bonds	20.4
Medium- and long-term debt	8.9
Short-term debt	13.5
Leasing/Vendor Loans	4.3
Total debt	47.1
Liquidity	(9.3)
Net Debt	37.8

The change of €2.7 million recorded in the Net Debt in 2023 reflects the strong expansion of the business, with **Working Capital** increasing by about €8 million (+19.6%) compared to 2022, against a 25.4% increase in revenues. One factor that increased year-end debt was the timing of large project invoices to key clients in November and December 2023, with the related payments being received in the first two months of 2024. As at 29 February 2024, available liquidity was again €16 million and Net Debt had decreased to € 31.5 million (source: Management Information).

The **ratio of Net Debt to EBITDA** increased slightly, from 2.3x at the end of 2022 to 2.6x at the end of 2023.

At the end of the 2023 financial year, STAR7 was therefore in a financially balanced situation, having the liquidity available to support its organic development process.

STAR7 also continues to meet the covenants of the bonds issued to finance the acquisition of LocalEyes by an ample margin.

* * *

MAIN EVENTS IN FY 2023

In January 2023, the contracts for the lease of the business unit of CAAR S.p.A. and STI s.r.l. became effective, aimed at the sale of the Business Divisions to STAR7 as part of the Restructuring



Transaction of the CAAR Group, or, in the event of failure of the latter, at the presentation of an Irrevocable Offer to Purchase by STAR7 during the eventual judicial liquidation. The lease contracts, involving an outlay of €120,000 per year plus VAT, are still in effect.

In May 2023, as a result of the full conversion at a 1:1 ratio of the 1,350,000 PAS Special Shares held by the two key shareholders, based on the achievement of certain performance targets for the financial year 2022, STAR7's share capital was composed of 8,999,752 ordinary shares, with no change in terms of the size of the share capital itself, which therefore remained at €599,340.00.

In June 2023, STAR7 published, on a voluntary basis, its first Sustainability Report, which contains a performance report for the financial year 2022 as well as the targets the Group intends to achieve in the three-year period 2023-2025 in the three ESG areas - Environment, Social and Governance. This is the formal start of a journey that STAR7 has been on for some time and which will become an annual event from 2023.

In December 2023, STAR7 signed the deed of merger of Vertere s.r.l., an Italian company active in translation and localisation services acquired in July 2022, into STAR7 S.p.A., with legal effect from 31 December 2023. For accounting and tax purposes, however, the merger took effect on 1 January 2023. Vertere's workforce has been fully integrated into the Global Content Service Line. The merger was aimed to simplify the corporate structure and seek further efficiencies.

SUBSEQUENT EVENTS

On 8 February 2024, STAR7 announced in a press release that it had surpassed the €100 million revenue threshold in the financial year 2023, having reached €104 million in consolidated Preliminary Revenue. The Company also indicated that the cost rationalisation process required by the integration of CAAR is heading towards completion, with full success.

OUTLOOK

The financial year 2024 will continue the trend of organic growth, while in the second half STAR7 has the firm intention to continue on the path of growth through acquisitions, in line with the strategy set out after the 2021 IPO. The CAAR Group's integration and rationalisation, along with continuous cost reduction efforts and the expansion of off-shoring operations, are expected to contribute to an increase in Group's margins.

The early months of 2024 have confirmed this trend.

In addition, 2024 will see STAR7 engaged in the launch of new services and products that will integrate Generative Artificial Intelligence into its offering, providing greater added value and a new opportunity for future revenues.

ALLOCATION OF PROFIT FOR THE YEAR

The entire profit for the year of €1.8 million is to be carried forward.

NOTICE OF ORDINARY SHAREHOLDERS' MEETING

The Board of Directors resolved to convene the Ordinary Shareholders' Meeting on 27 April 2024 at first call at 11:00 a.m. and, if necessary, on **7 May 2024 at second call**, with the following agenda:

- Approval of the annual report as at 31 December 2023;
- Allocation of the profit for the year;
- Renewal of Corporate Bodies.

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.

FILING OF DOCUMENTATION

A copy of the Consolidated Financial Report as at 31 December 2023, 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), on the company's website www.star7.com in the section "Investor Relations/Reports and financial statements", and on the authorised storage mechanism www.1info.it.

CONFERENCE CALL TO PRESENT 2023 RESULTS

The results for the 2023 financial year will be presented in a conference call by STAR7's management today, Tuesday 28 March 2023, at 3:00 p.m. CET.

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



<https://events.teams.microsoft.com/event/3004317c-5eab-4651-a5e7-7dee95999020@1d88a220-5f5c-42a8-8081-4a67baa01fc4>

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>

This press release is available on the STAR7 website www.star-7.com (in the “Investor Relations/Press releases” section) and on the storage system for regulated information www.1info.it.

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 means it can assist its customers throughout the product life-cycle – from design to aftersales.

STAR7's hallmark has always been an approach combining specific know-how, technology and vision 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.

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ANNEXES

INCOME STATEMENT

	31/12/2023	31/12/2022	Change	Change %
Net Revenues	104,405,634	83,251,178	21,154,456	25.4%
Other revenues	941,653	1,588,134	-646,481	-40.7%
Change in inventories and increases in fixed assets	275,543	145,499	130,044	89.4%
External costs	-47,771,247	-40,371,550	-7,399,697	18.3%
Added Value	57,851,583	44,613,261	13,238,322	29.7%
Personnel costs	-43,236,653	-29,156,658	-14,079,995	48.3%
EBITDA	14,614,930	15,456,603	-841,673	-5.4%
Depreciation, writedowns and other provisions	-8,247,136	-7,785,636	-461,500	5.9%
EBIT	6,367,794	7,670,967	-1,303,173	-17.0%
Net financial income	-2,957,298	-2,298,841	-658,457	28.6%
Ordinary income	3,410,496	5,372,126	-1,961,630	-36.5%
Gain (losses) on investments	0	0	0	0.0%
Profit before taxes	3,410,496	5,372,126	-1,961,630	-36.5%
Income taxes	-1,178,782	-1,946,632	767,850	-39.4%
Net profit	2,231,713	3,425,494	-1,193,781	-34.8%

BALANCE SHEET

	31/12/2023	31/12/2022	Change	Change %
Net intangible assets	38,215,878	39,248,910	-1,033,032	-2.6%
Net tangible assets	9,194,650	6,906,497	2,288,153	33.1%
Equity holdings and other financial investments	277,808	751,110	-473,302	-63.0%
Fixed assets	47,688,336	46,906,517	781,819	1.7%
Inventories	2,541,276	2,468,151	73,125	3.0%
Trade receivables	37,172,859	29,485,759	7,687,100	26.1%
Receivables from associates and related parties	855,010	683,938	171,072	25.0%
Other receivables	6,149,817	5,845,649	304,168	5.2%
Accruals and prepaid expenses	1,714,080	2,003,290	-289,210	-14.4%
Current assets	48,433,042	40,486,787	7,946,255	19.6%
Trade payables	-8,678,976	-8,574,855	-104,121	1.2%
Other payables to associates and related parties	-442,162	-669,672	227,510	-34.0%
Advance payments	-39,885	-	-39,885	0.0%
Outstanding tax and social security debts	-3,907,864	-2,278,916	-1,628,948	71.5%
Other payables	-3,824,696	-2,995,946	-828,750	27.7%
Accruals and deferred income	-2,189,703	-2,437,357	247,654	-10.2%
Current liabilities	-19,083,286	-16,956,746	-2,126,540	12.5%
Net working capital	29,349,756	23,530,041	5,819,715	24.7%
Severance pay indemnity	-6,368,713	-4,716,159	-1,652,554	35.0%
Tax and social security debts (beyond the following fiscal year)	-	-	0	0.0%
Other non-current liabilities	-1,040,397	-1,132,021	91,624	-8.1%
Non-current liabilities	-7,409,110	-5,848,180	-1,560,930	26.7%
Invested Capital	69,628,982	64,588,378	5,040,604	7.8%
Shareholders' Equity	-31,873,400	-29,493,367	-2,380,033	8.1%
Short-term Net Financial Position	-10,693,185	-366,809	-10,326,376	2,815.2%
MLT Net Financial Position	-27,062,397	-34,728,202	7,665,805	-22.1%
Net equity and Net financial debt	-69,628,982	-64,588,378	-5,040,604	7.8%

CASH FLOW STATEMENT

	31/12/2023	31/12/2022
A. CASH FLOW FROM OPERATIONS (INDIRECT METHOD)		
Net profit (loss)	2,231,713.45	3,425,494.00
Income taxes	1,178,782.06	1,946,632.00
Financial charges/(income)	3,027,096.35	2,300,042.00
Losses (gains) from assets disposal	-	-77,121.00
1. Profit (loss) for the year before taxes, financial charges, dividends and losses (gains) from asset disposals	6,437,591.86	7,595,047.00
Adjustments for non-cash items that had no impact on net working capital		
Provisions	64,000.00	592,582.00
Depreciation/amortisation of fixed assets	8,172,910.13	7,721,636.00
Severance indemnity provisions	1,266,571.00	1,369,942.00
Others	964,576.73	180,471.00
Financial instruments	191,985.73	-
	10,660,043.59	9,864,631.00
2. Cash flow before changes in net working capital	17,097,635.45	17,459,678.00
Changes in net working capital		
Decrease/(increase) in inventories	-73,125.02	-1,053,830.00
Decrease/(increase) of trade receivables	-7,687,099.74	-5,886,412.00
Increase/(decrease) in trade payables	104,120.72	1,358,206.00
Decrease/(increase) in accrued income and prepaid expenses	289,209.60	-371,077.00
Increase/(decrease) in accrued charges and deferred income	-247,653.81	-686,944.00
Other variations of net working capital	1,956,509.98	-2,944,846.00
	-5,658,038.28	-9,584,903.00

	31/12/2023	31/12/2022
A. CASH FLOW FROM OPERATIONS (INDIRECT METHOD)		
Net profit (loss)	2,231,713.45	3,425,494.00
Income taxes	1,178,782.06	1,946,632.00
Financial charges/(income)	3,027,096.35	2,300,042.00
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Others	964,576.73	180,471.00
Financial instruments	191,985.73	-
	10,660,043.59	9,864,631.00
2. Cash flow before changes in net working capital	17,097,635.45	17,459,678.00
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Decrease/(increase) in inventories	-73,125.02	-1,053,830.00
Decrease/(increase) of trade receivables	-7,687,099.74	-5,886,412.00
Increase/(decrease) in trade payables	104,120.72	1,358,206.00
Decrease/(increase) in accrued income and prepaid expenses	289,209.60	-371,077.00
Increase/(decrease) in accrued charges and deferred income	-247,653.81	-686,944.00
Other variations of net working capital	1,956,509.98	-2,944,846.00
	-5,658,038.28	-9,584,903.00