

STAR7

Sector: Industrials

BUY

Price: Eu6.30 - Target: Eu10.10

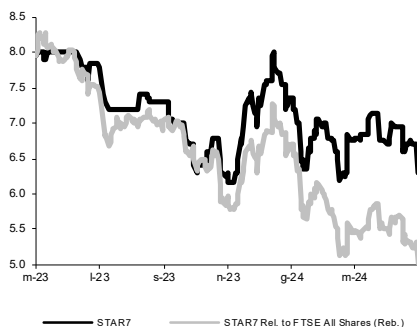
Navigating a Full-Service Model for Product Information Lifecycle

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Stock Rating

Rating: BUY (New Coverage)
Target Price (Eu): 10.10 (New Coverage)

STAR7 - 12M Performance



Stock Data

Reuters code: STAR7 MI
 Bloomberg code: STAR7 IM

Performance	1M	3M	12M
Absolute	-6.7%	-9.4%	-22.7%
Relative	-8.8%	-17.2%	-46.8%
12M (H/L)		8.00/6.15	
3M Average Volume (th):		2.12	

Shareholder Data

No. of Ord shares (mn):	9
Total no. of shares (mn):	9
Mkt Cap Ord (Eu mn):	57
Total Mkt Cap (Eu mn):	57
Mkt Float - Ord (Eu mn):	14
Mkt Float (in %):	24.9%
Main Shareholder:	
Dante Srl	41.7%

Balance Sheet Data

Book Value (Eu mn):	35
BVPS (Eu):	3.91
P/BV:	1.6
Net Financial Position (Eu mn):	-38
Enterprise Value (Eu mn):	94

- A full-range service provider with a global and integrated vision of the product information life cycle.** STAR7 is a leading global provider of product information services with a presence in over 15 countries. They offer a one-stop-shop for managing a product's information lifecycle, ideal for complex industries like technology, automotive and aerospace. This expertise with a loyal customer base allows visibility on revenue and identifying cross-selling opportunities, solidifying competitive position.
- Integrale⁷ one-stop-shop for product information.** STAR7's *Integrale⁷* model offers a single point of contact for all product information needs combining expertise from five service lines to streamline information creation and offer clients comprehensive solutions across the entire product lifecycle. This unique approach positions the company as a leader in integrated product information management.
- Resilient FY23 Results.** Revenue grew 25% YoY to €104mn, driven by both organic growth and the contribution of CAAR business unit. In terms of profitability, Reported EBITDA dipped 5.4% to €14.6mn mainly due to extraordinary charges related to the ongoing integration of CAAR. These costs, invested to unlock industrial efficiencies in the acquired business unit, negatively impacted margins, with the Adjusted EBITDA margin down from 18.6% to 15.3%. We expect profitability to recover as soon as full integration of CAAR is completed.
- Business expansion supporting revenue growth and improving profitability.** We expect net revenues of €138mn in 2026, with Full-Service contracts accounting for ~70% of the total and Single-Service contracts the remaining ~30%, in line with management's indications. We expect business growth through further internationalization and the contribution of the CAAR acquisition with related exploitation of synergies to improve margins, enabling to achieve 2026 EBITDA of €22.3mn with a margin of 16.2%, up from 14.0% in FY23. In terms of cash flow, we expect the company to report increasingly positive figures in 2024/25/26 and achieve a net debt of €34mn in YE26.
- Initiating coverage with BUY, TP Eu10.1.** We consider the current share price an attractive opportunity because we expect the group to show the benefits of its sound business model and to get the synergies from the integration with CAAR. In light of resilient FY23 results, extraordinary costs now overcome, and growth prospects in terms of margins once again encouraging, we believe the stock's growth trend can resume. STAR7 is trading at a discount to peers, with an EV/EBITDA ratio of 5.2x/4.7x/4.1x for 2024E/25E/26E, a ~30% discount vs the average of our selected peer cluster. We initiate coverage with a BUY rating and a TP of Eu10.1, resulting from the simple average of a DCF and a peer valuation. We believe a multiple rerating should be on the cards, with a recovery in margins already in 2024 and steadily increasing over the next few years together with clearly visible cash generation.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	85	106	119	129	139
EBITDA Adj (Eu mn)	15	16	18	20	22
Net Profit Adj (Eu mn)	6	6	6	7	8
EPS New Adj (Eu)	0.699	0.644	0.660	0.741	0.899
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	7.4	6.8	5.2	4.7	4.0
EV/EBIT Adj	9.8	9.5	8.0	7.2	6.1
P/E Adj	9.0	9.8	9.5	8.5	7.0
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	2.3	2.4	2.1	1.8	1.5

STAR7 – Key Figures

Profit & Loss (Eu mn)	2021A	2022A	2023A	2024E	2025E	2026E
Sales	74	85	106	119	129	139
EBITDA	13	15	15	17	20	22
EBIT	6	8	6	8	10	12
Financial Income (charges)	-2	-2	-3	-3	-3	-2
Associates & Others	-0	0	0	0	0	0
Pre-tax Profit	4	5	3	5	7	9
Taxes	-1	-2	-1	-2	-3	-3
Tax rate	-29.7%	-36.2%	-34.6%	-36.0%	-36.0%	-36.0%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	3	3	2	3	5	6
EBITDA Adj	13	15	16	18	20	22
EBIT Adj	7	12	11	12	13	15
Net Profit Adj	4	6	6	6	7	8
Per Share Data (Eu)	2021A	2022A	2023A	2024E	2025E	2026E
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	0.306	0.381	0.248	0.370	0.500	0.659
EPS Adj f.d	0.395	0.699	0.644	0.660	0.741	0.899
BVPS f.d	2.834	3.277	3.542	3.912	4.412	5.071
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)	2021A	2022A	2023A	2024E	2025E	2026E
Gross Cash Flow	11	13	12	15	15	17
Change in NWC	2	-9	-6	-4	-4	-4
Capital Expenditure	-6	-4	-9	-6	-9	-10
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	7	-1	-3	5	2	2
Acquisitions, Divestments & Other Items	-35	-3	0	-5	0	0
Dividends	0	0	0	0	0	0
Equity Financing/Buy-back	12	0	0	0	0	0
Change in Net Financial Position	-16	-3	-3	0	2	2
Balance Sheet (Eu mn)	2021A	2022A	2023A	2024E	2025E	2026E
Total Fixed Assets	48	47	48	50	48	48
Net Working Capital	14	24	29	33	37	41
Long term Liabilities	-4	-6	-7	-10	-10	-10
Net Capital Employed	57	65	70	73	76	79
Net Cash (Debt)	-32	-35	-38	-38	-36	-34
Group Equity	26	29	32	35	40	46
Minorities	0	0	0	0	0	0
Net Equity	26	29	32	35	40	46
Enterprise Value (Eu mn)	2021A	2022A	2023A	2024E	2025E	2026E
Average Mkt Cap	80	80	71	57	57	57
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	-32	-35	-38	-38	-36	-34
Enterprise Value	112	115	109	94	92	90
Ratios (%)	2021A	2022A	2023A	2024E	2025E	2026E
EBITDA Adj Margin	17.2%	18.2%	15.2%	15.2%	15.3%	16.1%
EBIT Adj Margin	8.9%	13.7%	10.8%	9.9%	9.9%	10.6%
Gearing - Debt/Equity	125.1%	119.0%	118.5%	107.1%	90.2%	73.7%
Interest Cover on EBIT	3.4	3.3	2.2	2.8	3.6	4.8
Net Debt/EBITDA Adj	2.5	2.3	2.4	2.1	1.8	1.5
ROACE*	13.0%	12.6%	9.5%	11.3%	13.2%	15.1%
ROE*	19.5%	22.9%	18.9%	17.7%	17.8%	19.0%
EV/CE	2.6	1.9	1.6	1.3	1.2	1.2
EV/Sales	1.5	1.3	1.0	0.8	0.7	0.7
EV/EBITDA Adj	8.8	7.4	6.8	5.2	4.7	4.0
EV/EBIT Adj	16.9	9.8	9.5	8.0	7.2	6.1
Free Cash Flow Yield	12.6%	-1.0%	-5.2%	8.9%	3.4%	3.8%
Growth Rates (%)	2021A	2022A	2023A	2024E	2025E	2026E
Sales	66.4%	14.5%	24.3%	12.6%	8.7%	7.3%
EBITDA Adj	192.0%	20.8%	3.6%	13.1%	9.4%	12.6%
EBIT Adj	69.3%	75.6%	-1.7%	2.5%	8.8%	15.3%
Net Profit Adj	32.2%	77.0%	-7.8%	2.4%	12.2%	21.4%
EPS Adj	32.2%	77.0%	-7.8%	2.4%	12.2%	21.4%
DPS						

*Excluding extraordinary items

Source: Intermonte SIM estimates

STAR7 at a glance

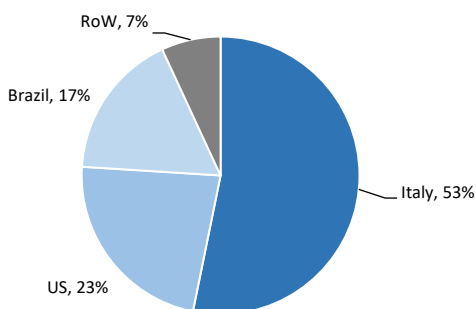
Company description

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 allows for 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.

Strengths/Opportunities

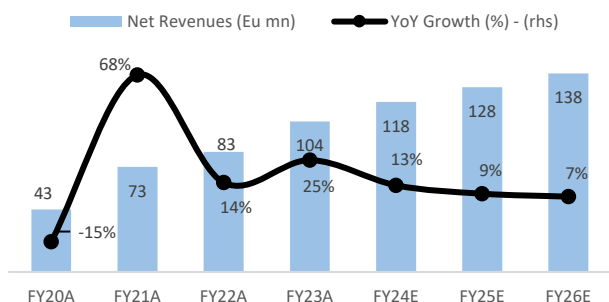
- Full-range service provider
- Cross-selling opportunities due to the global view of the information development process
- Large, diversified and well-established international customer base providing revenue visibility
- Growth opportunities through use of innovative digital technologies
- Diversified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

STAR7: Revenue Breakdown by Geography (FY23)



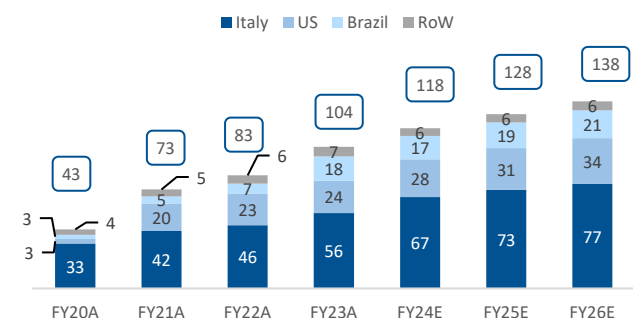
Source: Intermonte SIM

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



Source: Intermonte SIM

STAR7: Revenue Breakdown by Geography Evolution



Source: Intermonte SIM

Management

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

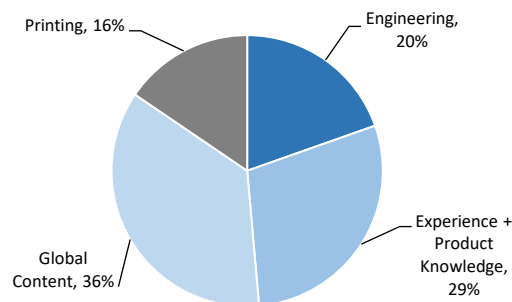
Shareholding Structure

Dante Srl	41.7%
STAR AG	33.4%
Free float	24.9%

Weaknesses/Threats

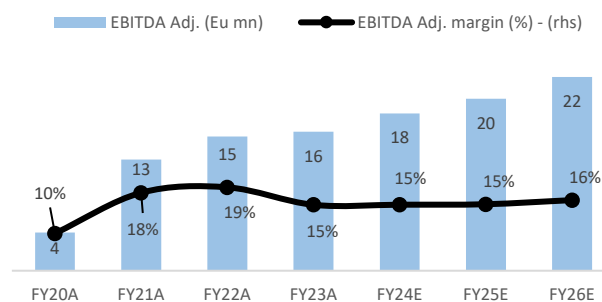
- Customer concentration with first three clients accounting for almost 40% of recurring total revenues
- Risk of renewal contracts with key customers
- Risk of inefficient integration of CAAR acquisition
- Risk of disruption of professional relationships with senior and specialized figures
- Risks associated with the defence of intellectual property rights
- Risks associated with contracting procedures

STAR7: Revenue Breakdown by Service (FY23)



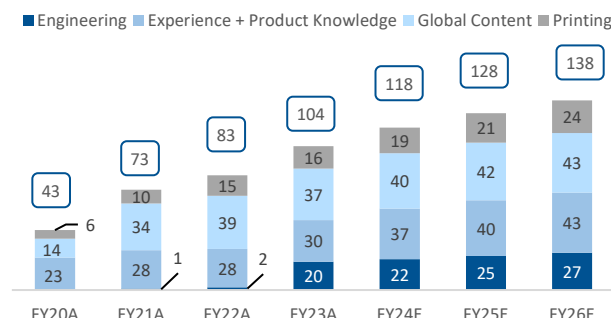
Source: Intermonte SIM

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



Source: Intermonte SIM

STAR7: Revenue Breakdown by Service Evolution



Source: Intermonte SIM

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Executive Summary

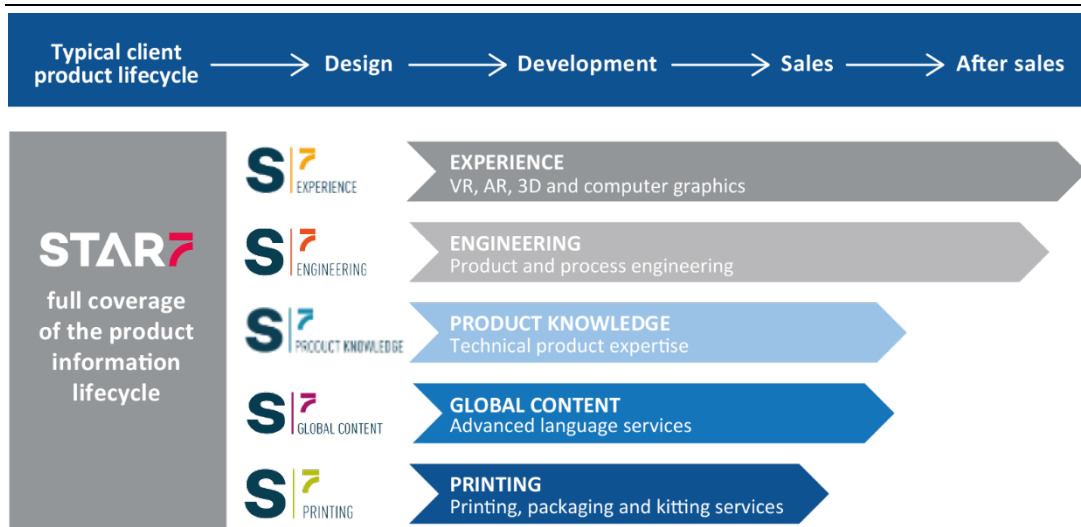
Company in a nutshell	STAR7 has grown rapidly to become a leading provider of product information-related services for a broad base of leading Italian and foreign customers in industries such as automotive, technology, luxury goods, and aerospace and defence. The group offers its services to customers on 3 continents and more than 15 countries around the world through 22 offices and more than 1,300 employees. STAR7 is a one-stop shop for managing a product's entire information lifecycle. They leverage their expertise across various service lines, like translation and technical writing, to offer clients a single point of contact. This integrated approach is ideal for companies in sectors like automotive and aerospace that require complex product information. STAR7's focus on long-term partnerships with industry leaders and their deep understanding of new product development cycles allows them to forecast revenue streams and identify cross-selling opportunities, creating a strong competitive advantage.
FY23 results	Recent results (FY23) have been resilient and bang in line with company guidance and expectations. Revenue grew 25% YoY to €104mn, driven by both organic growth and the contribution of CAAR business unit. However, this positive momentum wasn't reflected in profitability. Reported EBITDA dipped 5.4% to €14.6mn mainly due to extraordinary charges related to the ongoing integration of CAAR. These costs, associated with unlocking efficiencies in the acquired business unit, negatively impacted margins, with Adjusted EBITDA margin down from 18.6% to 15.3%. While excluding these one-time costs shows a modest 3.6% increase in Adjusted EBITDA, a cloud hangs over profitability until the full integration of CAAR is complete.
Positioning: <i>Integrale</i>⁷ one-stop-shop for product information	<i>Integrale</i> ⁷ business model positions STAR7 as a one-stop shop for all product information needs, from design to after-sales support. This integrated approach leverages expertise across their five service lines, fostering cross-selling opportunities and resulting in a higher volume of full-service contracts. By managing the entire product information lifecycle, STAR7 simplifies information creation and streamlines the process for clients. This unique value proposition caters to the growing demand for integrated solutions and positions STAR7 as a competitive leader, allowing them to comprehensively manage product information across the entire client value chain.
Growth Strategy	STAR7's growth strategy is multi-pronged. Internally, the focus is on boosting revenue through cross-selling, new services, and marketing, while optimizing costs through automation and potentially lower-cost locations. Externally, the strategy is based on M&A (like LocalEyes and CAAR) for complementary skills and expanding into new sectors (Life Sciences, Gaming) and markets (Europe, America, Asia). STAR7 is committed to staying ahead of the curve by investing in technological advancements across its various divisions. This includes process automation, development of virtual reality and artificial intelligence solutions, leveraging machine translation and AI for content creation, and implementing digital packaging and automation for printing services. This comprehensive approach positions STAR7 for sustainable growth in the product information services landscape.
Core markets growth driven by favourable macro trends	STAR7 thrives alongside the growth of its core markets. The electric vehicle boom creates demand for multilingual technical documentation across various channels, where STAR7 excels with its diverse service portfolio. Industry 4.0 adoption necessitates frequent updates to technical documents, which aligns perfectly with STAR7's ability to manage information across paper and digital formats in multiple languages. Additionally, the rise of VR/AR for training and product experiences aligns with STAR7's existing expertise and offerings. Furthermore, the ever-increasing need for translation services due to globalization strengthens STAR7's position, especially after the acquisition of LocalEyes. The booming e-commerce sector fuels demand for multilingual product presentations and interactive experiences, which STAR7 can deliver with its digital printing capabilities. Overall, growth in core markets like electric vehicles, Industry 4.0, VR/AR, translation services, and e-commerce presents significant opportunities for STAR7 to expand its reach and services.
BUY, TP Eu10.1	<p>The stock's growth trend has reversed in the last 6-12 months probably due to lower-than-expected growth in margins and earnings impacted by extraordinary and longer-than-expected costs for the CAAR integration. In light of resilient FY23 results, extraordinary costs now overcome, and growth prospects in terms of margins once again encouraging, we believe the stock's growth trend can resume.</p> <p>In our view, STAR7 is trading at a discount to peers, with an EV/EBITDA ratio of 5.2x/4.7/4.1x for 2024E/25E/26E, a ~30% discount vs the average of our selected peer cluster. We initiate coverage with a BUY rating and a TP of Eu10.1, resulting from the simple average of a DCF and a peer valuation. We believe a multiple rerating should be on the cards, with a recovery in margins already in 2024 and steadily increasing over the next few years together with clearly visible cash generation. Our fair value reflects our cautious estimates and could have further upside.</p>

Company Overview

STAR7 began its business as a language service provider (LSP) providing translation and localization services, and later developed a business model that, thanks to the skills diversification, growth by external lines, and the international development path, allowed the Group to impose itself on the market as a single provider able to assist clients in all phases of the product information life cycle. Currently, the Company operates through five main business areas, which will be described in detail later, positioning itself across the entire product value chain.

The Company is able to act in all phases of product development, from design to after-sales, through a business model characterized by an approach called *Integrale*⁷, by which the Company is able to offer verticality and specificity of complementary competencies, united in a global and integrated vision of the product information and content life cycle.

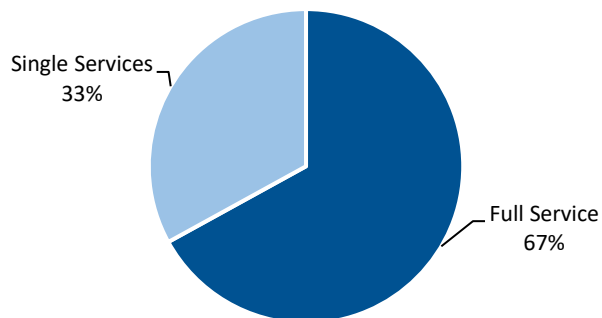
*Integrale*⁷: covering the entire value chain



Source: Intermonte SIM on Company presentation

The *Integrale*⁷ model allows the Company to offer customers a single partner for the entire product information lifecycle by fostering cross-selling activities between the different lines of business resulting in a prevalence of full-service contracts vs to single service contracts (as shown in the chart below that illustrates the breakdown of revenues for FY23).

STAR7: Revenue Breakdown by Type of Service (FY23)



Source: Intermonte SIM

The *Integrale*⁷ model is based on an integrated view of the various phases, which start from product design, extend to the related technical and commercial information writing, translation, print services, and digital and virtual product experience, and support in the after-sales phase.

Mission & Vision

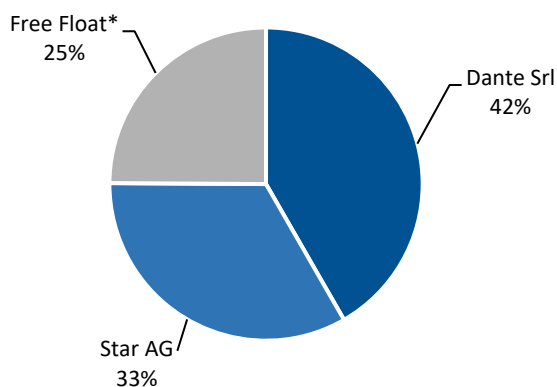
STAR7's main objective is to be the first clients point of reference for product content and information, blending talent, technology, data, virtual and physical, with the goal of helping companies to build their future. The business mission is to use all the STAR7 potential to help customers maximize their potential and to make their products into worldwide success stories. STAR7 does not position itself on the market as a mere services supplier but more as a fully-fledged service integrator covering the entire product information management value chain. Leveraging on the *Integrale*⁷ approach, the company's aim is to create and manage content and product information, in all languages of the world.

Shareholding and Board of Directors

STAR7 main shareholder is Dante Srl, the holding company owned by the founder, Chairman and CEO Lorenzo Mondo, which owns 41.7% of the share capital. STAR AG is the second main shareholder with 33.4% of the share capital. STAR AG is a Swiss wholly owned subsidiary of STAR Holding AG, which is, in turn, wholly owned by Josef Zibung. The remaining shares represent the free float (24.9% of share capital) including a significant stake (6.1% of share capital) in the hands of KAIROS Partners SGR.

The company was listed on the EGM in December 2021. Currently the company share capital consists of 8,999,752 Ordinary Shares held as shown in the chart below:

STAR7: Shareholding Structure



* In this representation we included the stake held by KAIROS (6.1%) in the free float
Source: Intermonte SIM

On 4 May 2021, the Board of Directors was appointed, and will remain in office until the shareholders' meeting to approve the Financial Statements as at 31 December 2023.

STAR7 Board of Directors

Board of Directors

Lorenzo Mondo	Chairman & CEO
Josef Zibung	Director
Isabella Mondo	Director
Maria Luisa Vada	Director
Andrea Farina	Director
Roberto Manzoni	Director
Paolo Rebaudengo	Independent Director

Source: Intermonte SIM

Historical Milestones

- **2000 – Foundation.**

Lorenzo Mondo founded STAR, as an Italian language service provider (LSP), in July 2000 in partnership with the Swiss company STAR AG, a global leader in translation. Today, translation services remain a core offering despite the fact that STAR7 has now evolved into a diversified and integrated solution provider.
- **2006 – Started Offering Diversification.**

In 2006, the company went beyond translation services by adding technical documentation to its offerings (now known as Product Knowledge).
- **2010 – Expanding into related services.**

In 2010, the company expanded its portfolio by creating STAR log, specializing in digital printing, logistics, distribution, and digital archiving services.
- **2013 – From Local to Global.**

In 2013, STAR took a first key step towards its international expansion strategy acquiring 75% of Comunicacao, a full-line services provider for the automotive sector, gaining access to the Brazilian market and expanding its customer base.
- **2014 – Focusing on diversification.**

Marking a further step in diversification, STAR founded STAR Engineering in Maranello in 2014.
- **2015 - 2016 – More internationalization to accelerate growth path.**

In a strategic move to enter high-growth-potential markets, STAR became a joint-stock company in 2015 and founded STAR USA in 2016 to take advantage of growing U.S. demand for translation and technical writing services. In the same year, it also began its internationalization in Europe: STAR GmbH was founded in Austria.
- **2017 – Emphasizing expansion in technical writing.**

In 2017, STAR strengthened its technical writing expertise by acquiring AD Studio Srl, a company specializing in aerospace and defense sectors technical authoring.
- **2018 - 2019 – More and more international: Albania and LATAM.**

STAR7 broadened its reach in 2018, establishing STAR Albania through the acquisition of R&S Srl, a technical authoring specialist. They further strengthened their South American presence by acquiring Grafica ed Editoria Colibri Ltda., a Belo Horizonte-based educational printing company, catering to the specific needs of the Brazilian market. The following year, they founded STAR Argentina SAS to solidify their South American customer base.
- **2019 – Global Proximity.**

In 2019, to strengthen its proximity to many customers in the U.S. automotive industry, STAR US fully acquired Techworld Languages Solutions, a Detroit-based translation company.
- **2020 – Growing and Rebranding.**

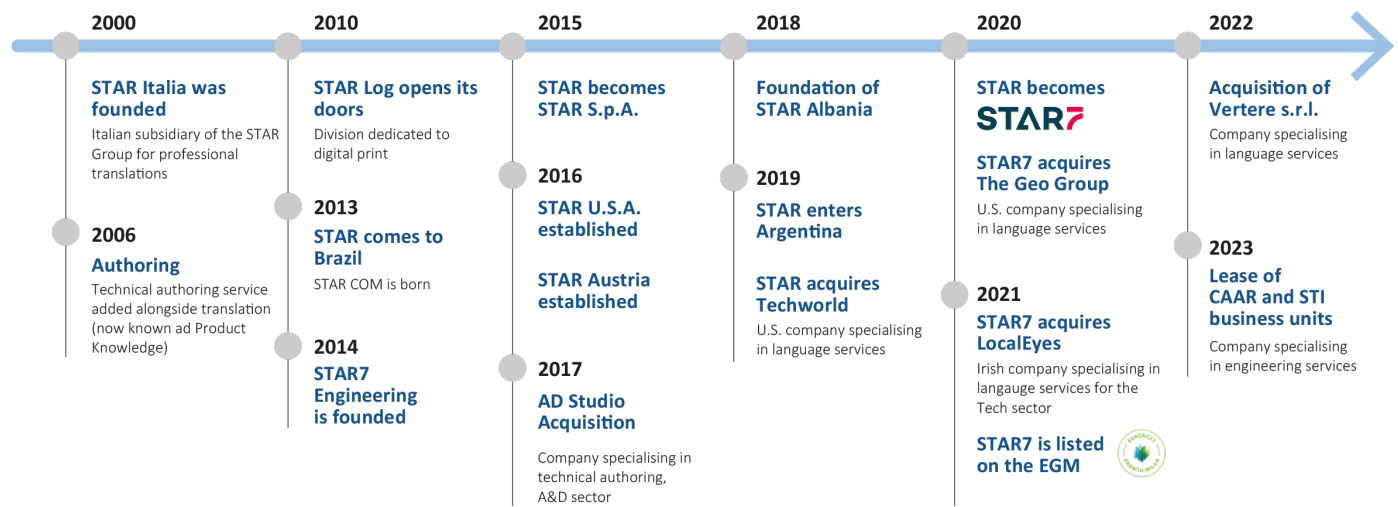
In 2020, the company change its brand from STAR Spa to STAR7 SpA and expanded its service portfolio by acquiring a 33% stake in IAMdev, a software development company.
- **2021 - 2023 – Enhancing Diversification through Strong M&A activity**

Leading up to its December EGM listing, STAR7 pursued an active M&A strategy throughout 2021 and beyond, aiming to expand its customer base, diversify revenue across its service offerings, and achieve geographic growth. Following the main acquisitions:

 - STAR7 bolstered its aerospace and defense printing division by acquiring Grafitec, a digital printing center, in March 2021.
 - In 2021, Seeking closer collaboration with key client CNH Group, STAR7 acquired The GEO GROUP, a Wisconsin-based language service provider specializing in the Agriculture, Life Science, and Education sectors.
 - STAR7 marked a historic milestone in November 2021 with the acquisition of LocalEyes, an Irish leader in content translation and localization. This strategic move, financed partly through a €25mn bond issuance, bolstered STAR7's US presence and secured a top-tier international client active in the tech sector, for whom LocalEyes manages translation and localization services in over 60 countries.
 - In 2022, STAR7 acquired Vertere Srl, an Italian language service provider.
 - In 2023, STAR7 took a major step towards expanding its engineering capabilities by signing lease agreements for the business units of CAAR and its subsidiary, STI. This strategic move positions STAR7 for the acquisition of both business units, which are specialized in providing engineering services.

For further details on M&A, please see our focus section below.

STAR7: historical milestones



Source: Intermonte SIM on Corporate presentation

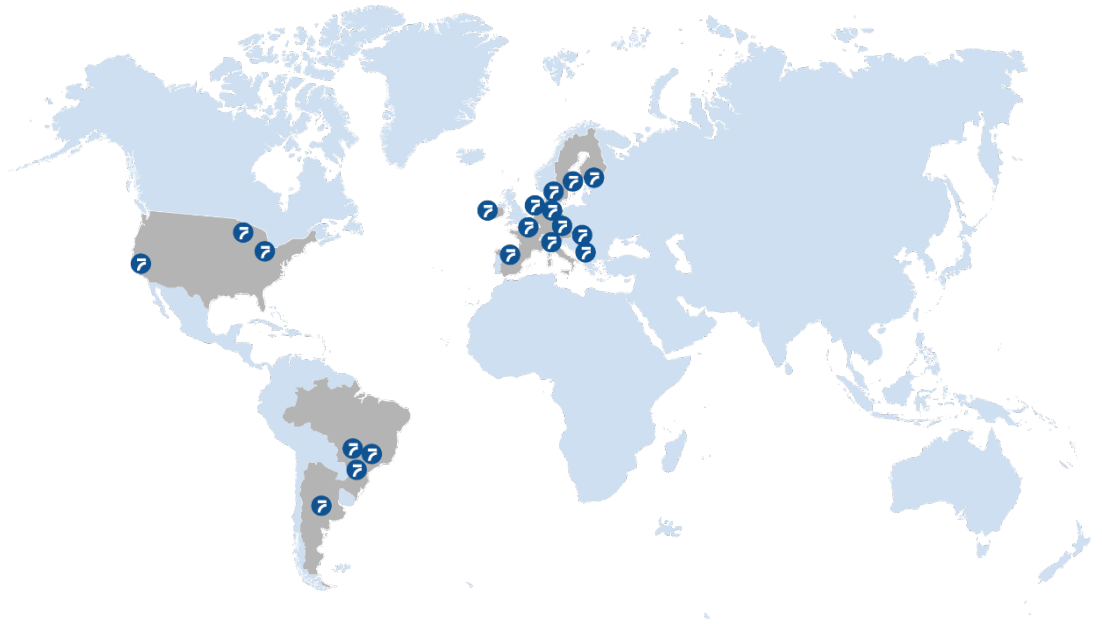
Business Model

STAR7 employs a global, diversified, fast growing business approach, delivering solutions to customers in a context of one-stop-shop for product information lifecycle. STAR7's strengths lie in its industry experience, in-depth knowledge of product information, and close customer relationships. The company operates on a global scale, with a presence on 3 continents. STAR7 is distinguished by a strong commitment to service innovation through an R&D-focused business model aimed at developing and using innovative technologies that enable it to offer competitive solutions in a rapidly evolving market.

A Global Footprint

The group offers its services to customers on 3 continents and more than 15 countries around the world through 22 offices and more than 1,300 employees. In FY23, 47% of revenues were generated abroad. STAR7's multinational approach takes on the dual function of cost savings through offshoring and need for proximity for the end customer in the different production facilities around the world.

STAR7: Global Footprint

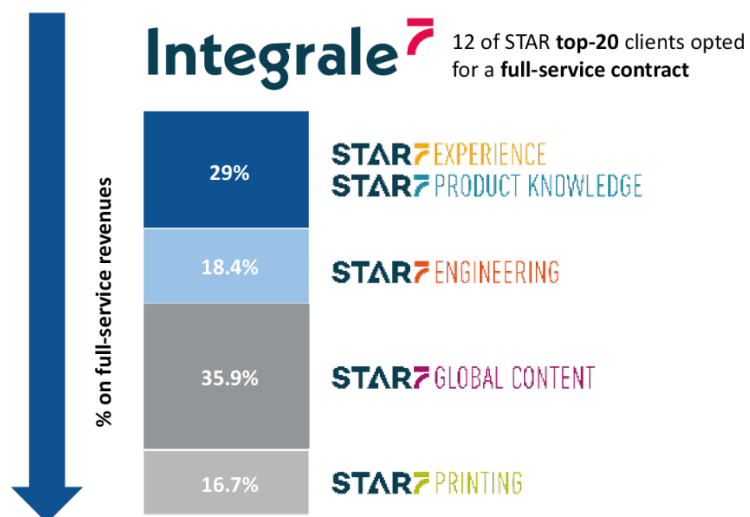


Source: Intermonte SIM on Company presentation

Integrale⁷ one-stop-shop-positioning

The *Integrale⁷* model embodies the core of STAR7's business strategy and the value it delivers to clients. It positions STAR7 as a one-stop shop, managing the entire product information lifecycle for its clients.

Integrale⁷: One-stop-shop-positioning business model



Source: Intermonte SIM on Company presentation

This is achieved by leveraging expertise from various business lines within STAR7, facilitating cross-selling and seamless integration of services. The success of this integrated approach is reflected in the prevalence of full-service contracts over single-service ones.

The model offers a comprehensive view, encompassing everything from product design and technical/commercial information creation to translation, printing, digital product experiences, and after-sales support. STAR7's five service lines work together to create a content ecosystem around each client's project, simplifying information creation and management throughout the product lifecycle.

The *Integrale*⁷ model's core lies in STAR7's deep understanding of the product information lifecycle. It caters to the growing customer demand for a single point of contact offering integrated solutions, making STAR7 a competitive leader through its one-stop-shop approach. This allows STAR7 to take care of product information comprehensively, across the entire value chain.

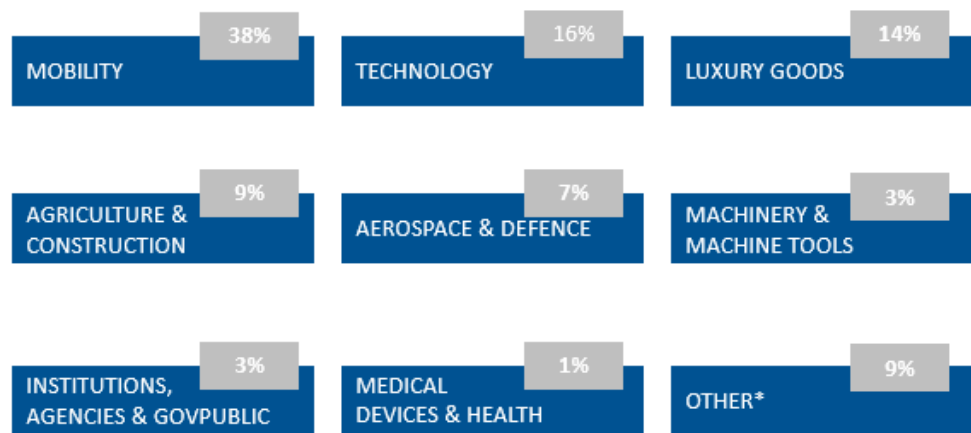
Recurrent and loyal customer base

STAR7 thrives on building long-term partnerships with established industry leaders. Focusing on sectors like automotive, luxury goods, and aerospace & defense allows them to develop a deep understanding of their clients' specific needs and internal workings. This specialization creates a valuable feedback loop. By working closely with clients on new models and product evolutions, STAR7 hones its expertise while simultaneously increasing recurring revenue.

This targeted customer base presents a significant advantage. The focus on new product development provides advanced visibility into future revenue streams. Since these products often have long lead times, STAR7 can forecast growth independent of final sales volume, offering financial stability and predictability. Additionally, close relationships enable cross-selling opportunities. By understanding a client's needs across their product lifecycle, STAR7 can identify and offer additional services within the same sector, maximizing their value proposition.

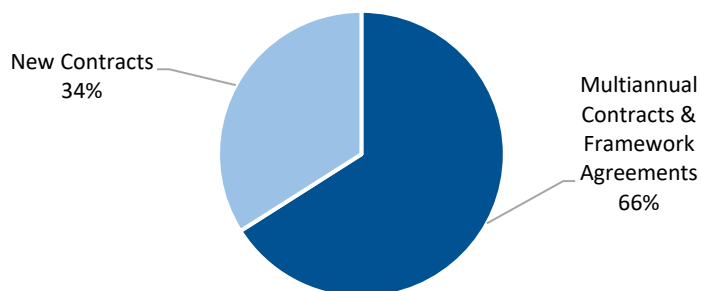
Notably, 75% of the top 20 STAR7 clients have been such for more than 7 years. In 2023, STAR7 renewed major multi-year contracts with expanded scopes of work.

STAR7: Revenues by customers' sector



* Sectors: sport & sports equipment, air conditioning & household appliances, services, oil and gas, public utilities
Source: Intermonte SIM on Company presentation

STAR7: Revenue Breakdown by status of service (FY23)

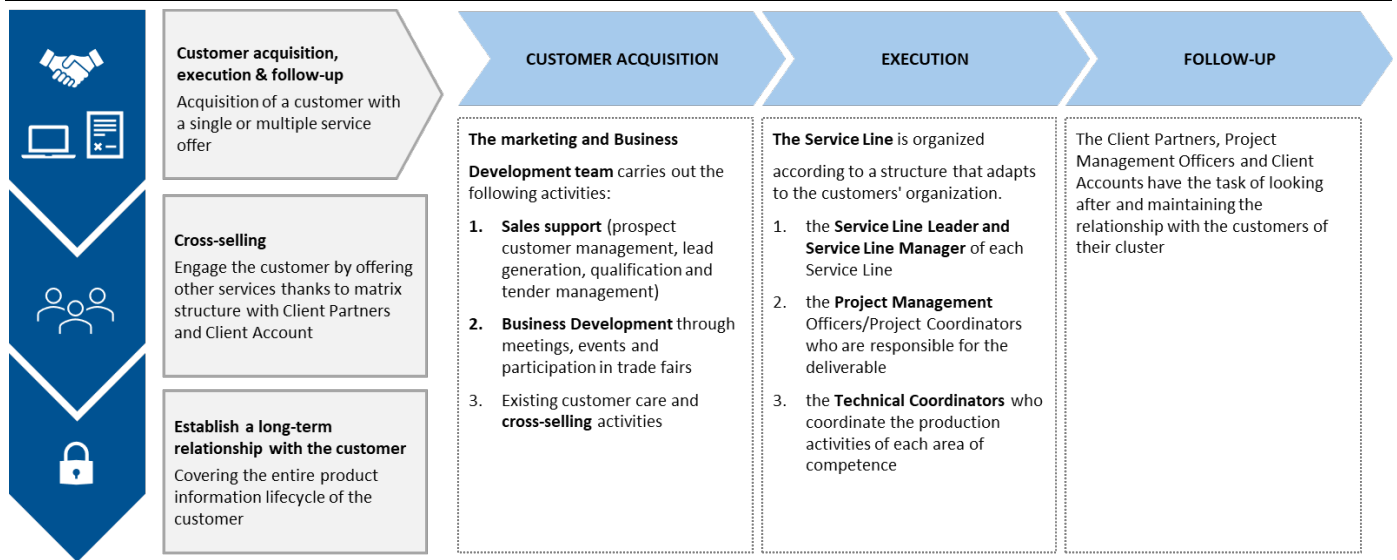


Source: Intermonte SIM

Value chain overview

STAR7's business development organizational model is based on a value chain divided into three main stages consisting of customer acquisition, execution, and follow-up. At each stage of the value chain, STAR7 aims to include as a recurring goal to develop the customer relationship as much as possible, thus creating a business development model structured in matrix form. In this sense, during each stage of the process the goal of identifying specific services offered by the company in a position to create greater value for the end customer by triggering cross-selling opportunities remains central.

STAR7: A value chain to facilitate cross selling



Source: Intermonte SIM on Company presentation

Customer Acquisition

STAR7 employs a multifaceted approach to acquiring new clients, offering a range of benefits to its customers. Here's a breakdown of their methods:

- **Direct Sales Team:** A dedicated team actively seeks out new clients, both domestically and internationally.
- **Event Marketing & Lead Generation:** STAR7 participates in industry conferences, meetings, and events. They leverage these opportunities for prospecting, lead generation, and building brand awareness through targeted communication.
- **Tender Participation:** STAR7 has a specialized team that monitors and participates in tenders for multi-year service contracts. This team handles the necessary documentation and manages relationships with those managing the selection process.
- **Cross-Selling:** STAR7 takes advantage of being a one-stop shop for product information management. They can offer clients a full range of integrated services throughout the entire product lifecycle. This approach allows them to act as a single point of contact for all client needs, fostering upsell and cross-sell opportunities between their various service lines.

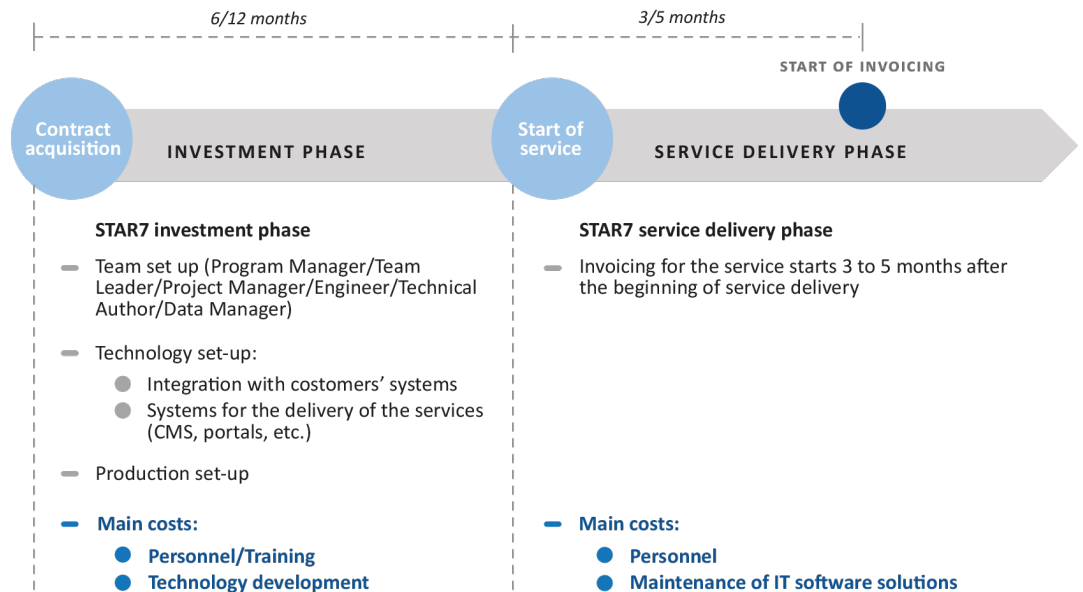
In summary, STAR7 combines a proactive sales force with strategic event marketing and targeted participation in tenders. By leveraging their expertise as a multi-service provider, they can offer clients a streamlined and efficient solution for all their product information management needs.

Execution

The second stage, known as the Execution phase, is where STAR7 delivers on the contracted services. This phase is further customized depending on the specific division and client's needs. Here's a breakdown of a typical Execution phase:

- **Investment Phase** (6 months/annual): Upon signing the contract, STAR7 establishes a dedicated research team tailored to the project. This initial phase focuses on the groundwork and preliminary production of the product.
- **Delivery Phase** (3-5 months): Following the investment phase, STAR7 shifts its focus to the actual delivery of the service.

STAR7: Start-up and Execution of a new job order



Source: Intermonte SIM on Company presentation

Below is a recap of the execution phase applied to each service line:

- **Engineering:** execution phase in Engineering division focuses on bringing the client's product idea to life. This involves feasibility analysis using 3D simulations, digital prototyping, defining assembly sequences, and providing technical documentation and production process oversight.
- **Product Knowledge:** execution phase in Product Knowledge division concentrates on knowledge development and client support. This involves analyzing product specifications, creating technical documentation, and delivering training courses. They also provide after-sales support through various channels like a technical help desk and spare parts information.
- **Experience:** execution phase in Experience division focuses on crafting the virtual or augmented reality experience. This involves analyzing the product and client needs, followed by storyboard creation, programming and development, testing with end consumers, and finalization.
- **Global Content:** execution phase in Global Content division focuses on project management and delivery of translated content. This involves:
 - Coordinating with a network of qualified translators based on project needs.
 - Overseeing translation quality and adherence to deadlines.
 - Ensuring compliance with client requirements and formatting.
 - Delivering the final translations in the agreed format (print, digital, etc.).

STAR7 handle both large, multi-year projects won through tenders, and smaller, one-off orders received through various channels.
- **Printing:** execution phase in Printing division focuses on production and delivery. Here's the breakdown:
 - **Production Planning:** The team analyzes the job, selects the appropriate machinery (digital or offset) at their Asti or Belo Horizonte plants, and assigns production managers to ensure deadlines are met.
 - **Printing & Finishing:** They handle the actual printing, any finishing touches (binding, stapling etc.), and kitting (assembly) if requested.
 - **Quality Control & Delivery:** Finally, STAR7 inspects the final product, manages packaging, and arranges logistics for delivery to the customer.

STAR7 offer additional services like archive digitization and customized logistics primarily to larger clients as a way to complement their core printing services.

Follow-up

Following project completion, STAR7 prioritizes customer satisfaction through a dedicated follow-up phase. This phase consists of several key activities:

- **Performance Evaluation:** The team analyzes the delivered service against agreed quality standards. This ensures they're meeting client expectations.
- **Customer Relationship Management:** A designated contact in each division monitors performance and gathers customer feedback through a "customer care" representative. This allows them to identify any post-sales issues.
- **Regular Client Meetings:** STAR7 periodically convenes with clients to discuss their experience, address any concerns, and offer technical assistance or propose new solutions based on their feedback.

By prioritizing this follow-up phase, STAR7 fosters customer loyalty. They achieve this by:

- **Building trust:** Demonstrating a commitment to quality and addressing any concerns.
- **Continuous Improvement:** Using customer feedback to refine their services and stay up-to-date with client needs.
- **Partnership Approach:** Positioning themselves as a long-term partner, not just a service provider.

Overview of Company Activities

STAR7's business areas

The Company's service offerings are divided into five main business areas. Each area is characterized by specific processes and stages in the value chain, while remaining closely related to each other and to the customer's product life cycle in the *Integrale⁷* model:

- **Global Content** (36% of FY23 Sales)
- **Printing** (16% of FY23 Sales)
- **Engineering** (20% of FY23 Sales)
- **Experience and Product Knowledge** (29% of FY23 Sales)

Global Content

The Global Content division was established in 2000 as the company's first line of business. In FY23, it accounted for 36% of the company's revenues. Through this Business Line, the company operates as a language service provider (LSP) providing translation, interpreting, subtitling, language consulting and language technology consulting services for a wide range of industries.

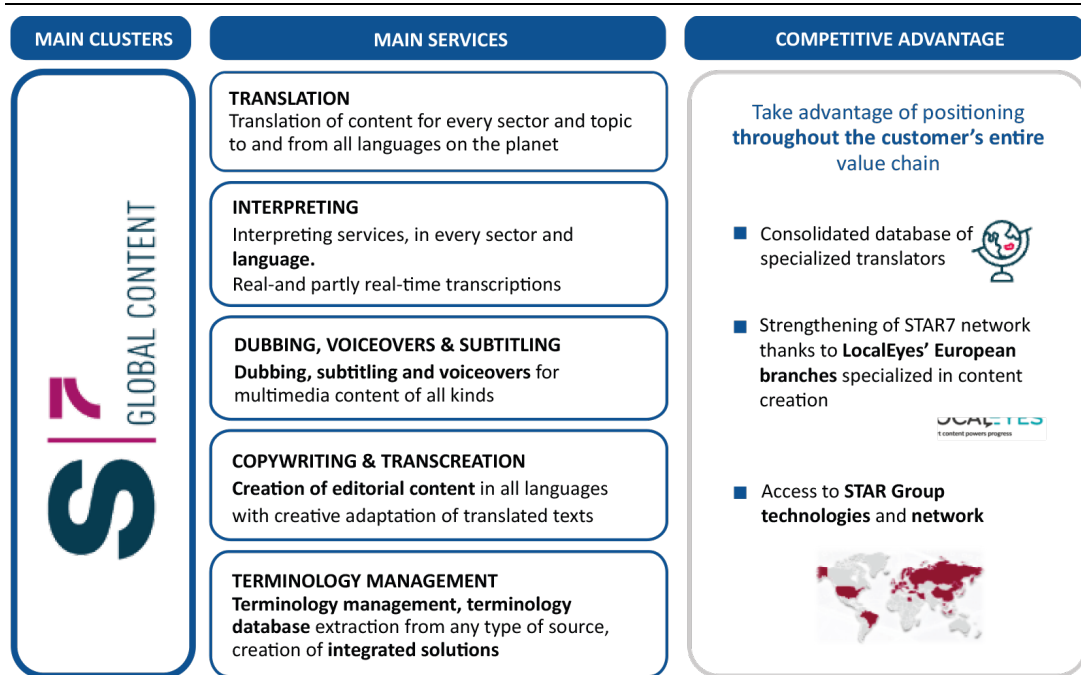
STAR7, through its Global Content division, offers translation services that can be used on a variety of physical and digital media (printed manuals, catalogs, newsletters, websites, videos, multimedia, dubbing, subtitling, social media, etc.).

To carry out the activities included in this area, the company can rely on a wide range of translation software owned by STAR AG. In addition, STAR7 has a network of over 1,500 private translation service providers selected on the basis of the specific economic sector of the end customer.

The main competitive advantage that STAR7 can rely on in the Global Content area is the ability to offer translation services integrated with the IT systems of each client through a proprietary web platform (MySTAR) that can provide direct transmission of translation requests, guaranteeing real-time interaction between the Company and the client.

The Global Content division's clientele is of a business type and its activities are developed on levels of depth and linguistic technicality that vary from creative translation (so-called transcreation) to technical-specialist translation of a legal, financial or sector-specific nature. Among STAR7's main national and international clients are several multinationals active in the automotive, aeronautical and aerospace, fashion and luxury, industrial and financial sectors. As an example, these include companies such as Ferrari, Ferrero, Luxottica, Eni, Stellantis and UniCredit.

STAR7: Global Content service line



Source: Intermonte SIM on Company presentation

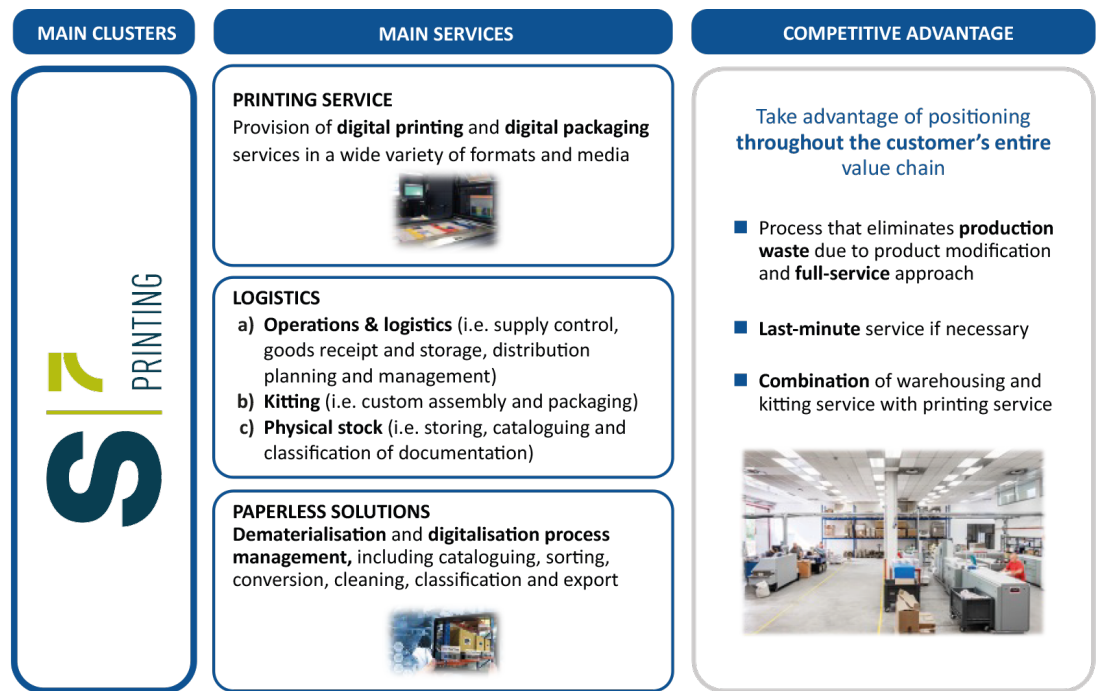
Printing

The Printing division was established in 2010 and over the years has assumed an increasing importance within the Company, representing the fourth largest business area in terms of size, with a contribution to FY23 revenues of 16%.

STAR7, through its Printing division, provides digital printing services in various sectors using an approach to the production process that allows the elimination of production waste through product modification and a full-service approach.

As an example, STAR7 carries out the activities related to this division for the client Stellantis through a constant service of printing and assembling the on-board kit of the vehicles produced by the company in South America (in particular, in its Brazilian plants in Belo Horizonte and Pernambuco).

STAR7: Printing service line



Source: Intermonte SIM on Company presentation

Engineering

The Engineering division was established in 2014 and, with an incidence equal to 20% of FY23 revenues, represents the third most important business area of the Company.

STAR7, through its Engineering division, offers process engineering services, providing support to customers in the industrialization phase of their products. The activities of this division are functional to the optimization and standardization of the procedures related to the design and realization of new products.

The Engineering division's clientele is composed of both small and medium-sized enterprises and large international industrial groups. In particular, STAR7 has developed over the years a particular experience in the automotive sector that allows it to offer a consulting approach aimed at understanding the needs of designers and engineers in the sector, also exploiting the potential of virtual and immersive reality as support for the product study and development phases. The main sectors in which the clients of this division operate are related to automotive, agriculture and, more generally, to the industrial sector, which is particularly suited to a consulting approach to support the industrialization of final products.

With reference to the services offered in this line of business, STAR7 also offers its clients training courses, delivered in person and remotely, aimed at allowing a better understanding of the product by technical personnel.

In detail, through the Engineering business line, the company offers its clients services of:

- Design and definition of instructions for the production and assembly of components
- 3D prototyping for product study and the creation of assembly and control tools
- development of disassembly and replacement procedures for components most subject to wear.

Product Knowledge

The Product Knowledge division was established in 2006. STAR7, through this division, offers a wide range of services aimed at meeting the needs of customers in the creation, management and dissemination of technical and commercial information, in traditional or advanced (immersive virtual reality) mode. In particular, through this Service Line, the company assists its customers in the product production and development process through advanced management of technical information, efficiency of production cycles, implementation of technological solutions and support for the product's operational life.

The Product Knowledge division's clientele is of a business type and includes both small and medium-sized enterprises (SMEs) and large international industrial groups, with particular reference to players operating in the automotive sector, to which the company also provides engineering, technical writing and translation services.

In detail, through the Product Knowledge business line, the company offers its clients authoring, after-sales and technical support services.

In the context of authoring services, the company collects information on products and develops in-depth knowledge useful for the drafting and preparation of documentation (also interactive) for users of technical documentation (i.e., end users) and the service network. This activity is carried out with reference to complex products (such as, for example, cars, agricultural and industrial machinery or other means of transport, automatic machines, etc.).

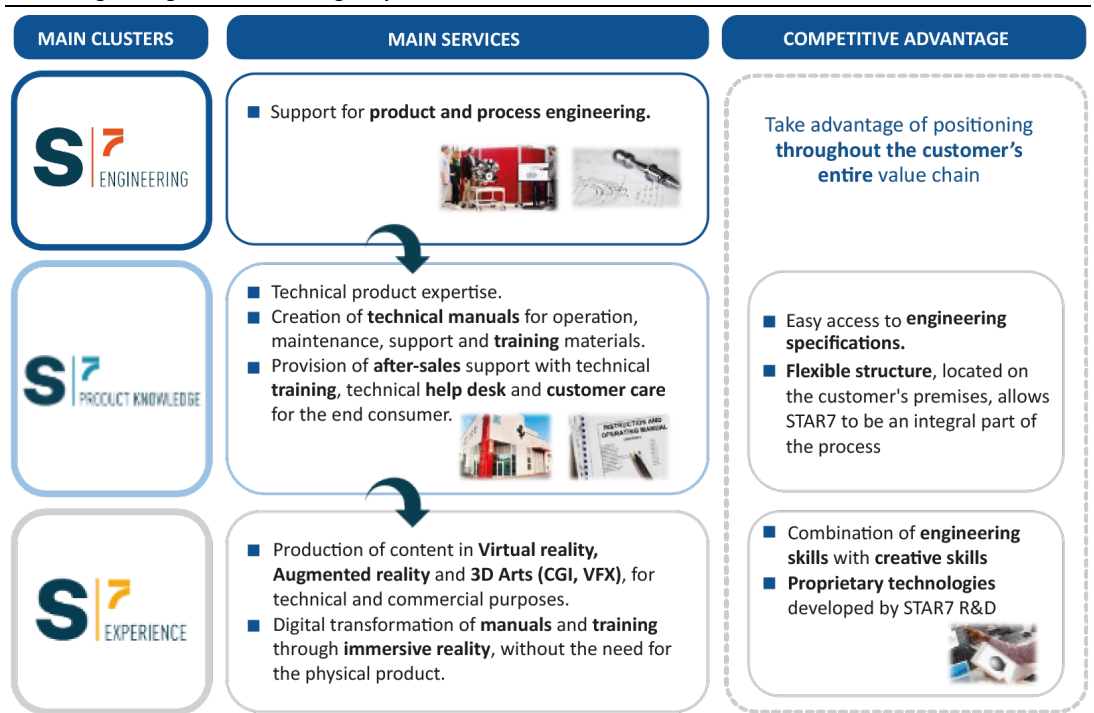
In detail, the main activities concern the drafting of technical manuals (user and maintenance manuals, operator manuals, repair manuals); technical illustrations; 2D and 3D electrical diagrams for the visualization of wiring, block diagrams and functional diagrams; spare parts catalogs with interactive integration for the management of shopping carts, order management, pricing and warehouse verification; timescales with indications of the disassembly and assembly times of the specific components; troubleshooting; training and e-learning documentation.

In the context of After Sales and Technical Support services, the company mainly offers Help Desk and Customer Relationship Management services for assistance in the phase following the sale of products.

Experience

The Experience division was created in 2019, has high exposure to high-growth market segments, and is currently the company's fifth largest business area in terms of revenue.

STAR7: Engineering, Product Knowledge, Experience service lines



Source: Intermonte SIM on Company presentation

STAR7, through the Experience division, offers services characterized by a high degree of specialization and that are placed in a transversal and complementary way to the services offered through the other divisions, contributing to the digital transformation of the "traditional" offer of STAR7 services.

In particular, through this Service Line, exploiting the skills connected to engineering and technical writing activities, which allow it to directly access the technical and product characteristics, the company offers perfectly customized solutions on the product, creating high quality digital content.

Therefore, through the use of 3D video and graphics technologies (Computer-Generated-Imagery, visual effects, augmented reality software), STAR7 offers digital content solutions with multiple application possibilities: from the most technical areas to virtual training activities, to content usable in the communication and marketing field.

The clientele of the Experience division is of a business type and includes both small and medium-sized enterprises (SMEs) and large international industrial groups.

In detail, through the Experience business line, the company offers services and content in Virtual Reality, Virtual Training, Computer Generated Imagery (CGI), Visual Effects (VFX), 3D Art, and video animation.

Core market and competitive landscape

STAR7's target market is product information. This means offering a diversified set of services related to the management of the product information lifecycle, from the initial definition and creation of the information itself to its distribution.

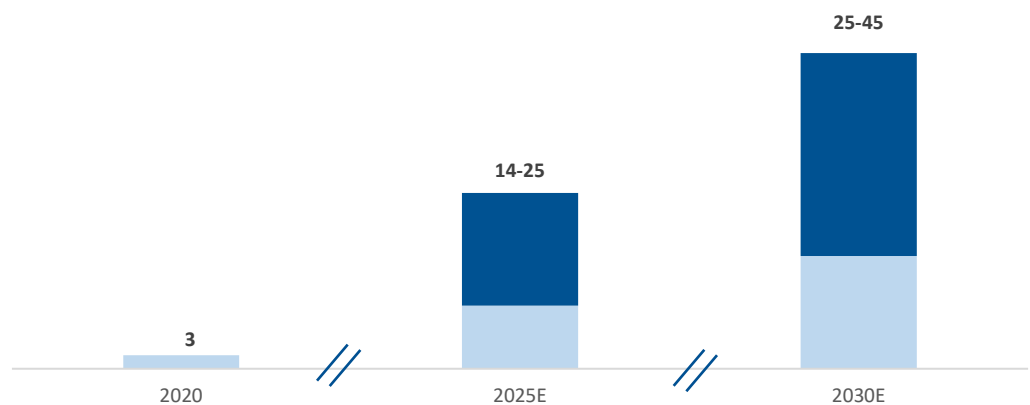
In this market, the Company offers a variety of services that allow product information to be communicated in multiple languages and through various channels, both physical (e.g., manuals and/or instruction booklets) and digital (e.g., virtual reality, augmented reality, 3D visualization)

The target market benefits from some favorable macro-trends both in terms of economic and business expansion.

Transition to electric vehicles

The design and launch of new electric vehicles requires manufacturers to have support in preparing the related technical documentation (both during the production phase and in the subsequent translation into different languages), so as to make it available through paper and digital channels. In particular, in the world, in the three-year period 2019-2022, ~450 new electric vehicle models were launched, while annual sales of electric vehicles are expected to be between 14-25mn units in 2025 and 25-45mn in 2030.

Transition to Electric Vehicles: Annual EV sales (#mn)



Source: IEA Global EV Outlook 2020 (EV-Volumes.com)

Considering the growing demand of the electric vehicle market, STAR7 is able to offer various support services for its manufacturing customers. In particular, in this area, the diversified range of services consists of: (i) Engineering: Support in product design; (ii) Product Knowledge: Support in defining the technical characteristics of product information and after-sales assistance; (iii) Experience: Support through VR/AR and 3D visualizations for consultation of technical manuals; (iv) Printing: Printing of paper manuals; (v) Global Content: Translation of product information into different languages.

Industry 4.0

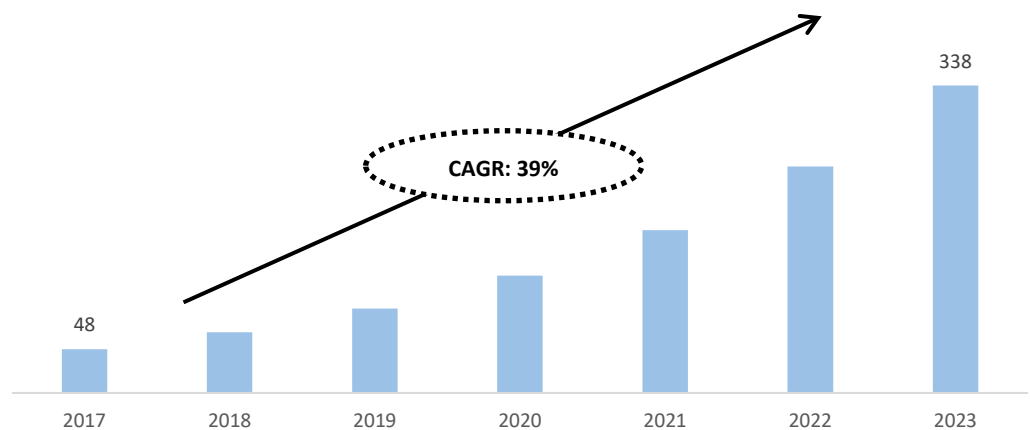
Industry 4.0 refers to the growing trend towards industrial automation aimed at introducing new production technologies to improve working conditions, create new business models, increase plant productivity and improve product quality.

In particular, the adoption of Industry 4.0 models can be summarized in the following guidelines:

- Increased productivity levels: The adoption of production models based on Industry 4.0 aimed at generating an increase in productivity.
- Use of innovative technologies: Production models based on Industry 4.0 mainly use innovative technologies such as the IoT and integrate them into the production process.
- Flexible and customer-centric production, thus leading to a reduction in time-to-market: Industry 4.0 technologies allow manufacturers to be more flexible in all phases of the product development lifecycle.

The implementation of manufacturing structures based on these guidelines has led to significant market growth at a CAGR of 39% in the period 2017-2023. In the same period, the market size grew in absolute terms by \$290bn.

Global Industry 4.0 Mkt (\$bn)



Source: <https://www.iotnow.com/2018/10/12/89230-iiot-iiot-connected-industry-industry-4-0-come-together-create-new-model-business/>

The consolidation of Industry 4.0 models has led to direct benefits for STAR7's activities, mainly by exploiting the progressive affirmation of the IoT technologies offered by the Company in production models. Furthermore, STAR7 benefits from the increasingly relevant need for updates to be made to technical documentation through different channels (paper/digital) and in different languages, offering customer companies technological services that can be used to produce high quality results at reduced costs and with high flexibility.

STAR7's goal is to position itself as a partner capable of providing services tailored to Industry 4.0 business models to its customers, with a product information offering that is flexible to the possible and variable needs of this market.

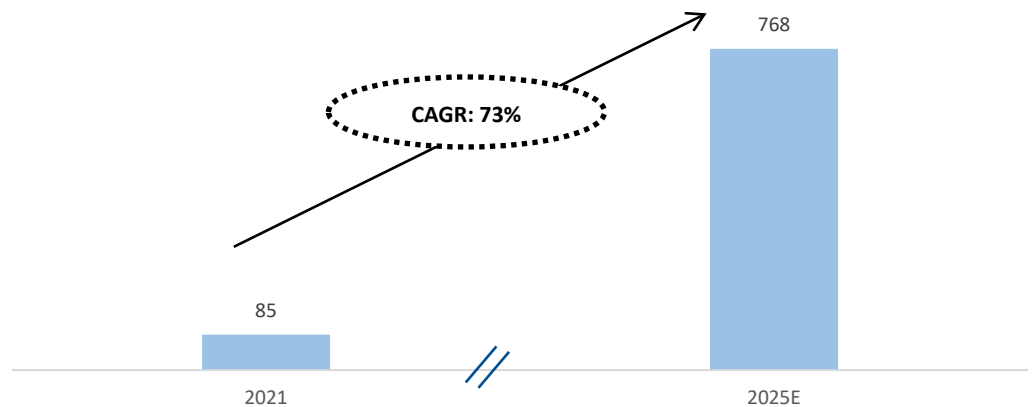
Virtual reality (VR) & Augmented reality (AR)

The AR/VR market is growing, positively influenced by the increasing demand in the field of video games and entertainment in general, as well as by the ever-increasing adoption of these technologies in marketing strategies, in the retail shopping, e-commerce, education and training of specialized personnel sectors.

In addition, the COVID-19 pandemic has further contributed to an acceleration in the implementation of AR/VR with an increase in the need for immersive and realistic models, capable of allowing the remote reproduction of physical reality.

The graph below shows the overall increase in this market in the period 2021-2025 from \$85bn in 2021 to \$768bn in 2025 (CAGR 73%).

AR & VR Market (\$bn)

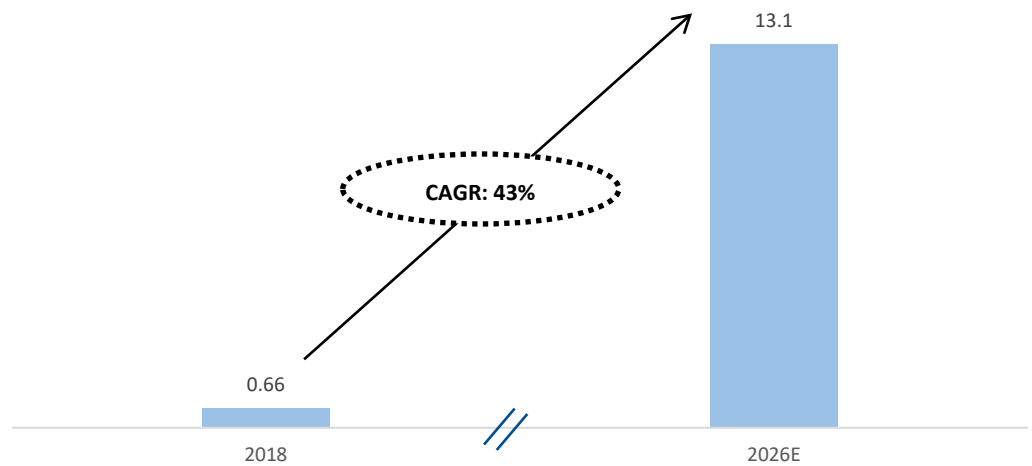


Source: <https://www.marketresearchfuture.com/reports/augmented-reality-virtual-reality-market-6884>

The progressive reduction in the need for paper content and the consequent need for the creation of multisensory and interactive experiences in the field of product information have allowed STAR7 to have a solid competitive positioning, in turn benefiting from the spread of virtual and augmented reality content and the consequent demand from customers for models that implement such technologies. All this has been facilitated by the company's consolidated know-how in the field of Experience (for example, for VR headsets used for Ferrari technical training).

With specific reference to the current VR/AR offer provided by the Company for training purposes, the graph below analyzes the specific trends of VR/AR applications in the training sector. The market for VR/AR applications for educational purposes is expected to grow exponentially in the coming years from \$656.6mn in 2018 to \$13.1bn in 2026 (CAGR 43%). This growth is expected to be driven by the trend of sharing information in innovative ways, as well as the possibility of breaking down any cost and distance barriers, by providing an educational experience that is absolutely comparable to that in person.

Educational VR/AR market (\$bn)

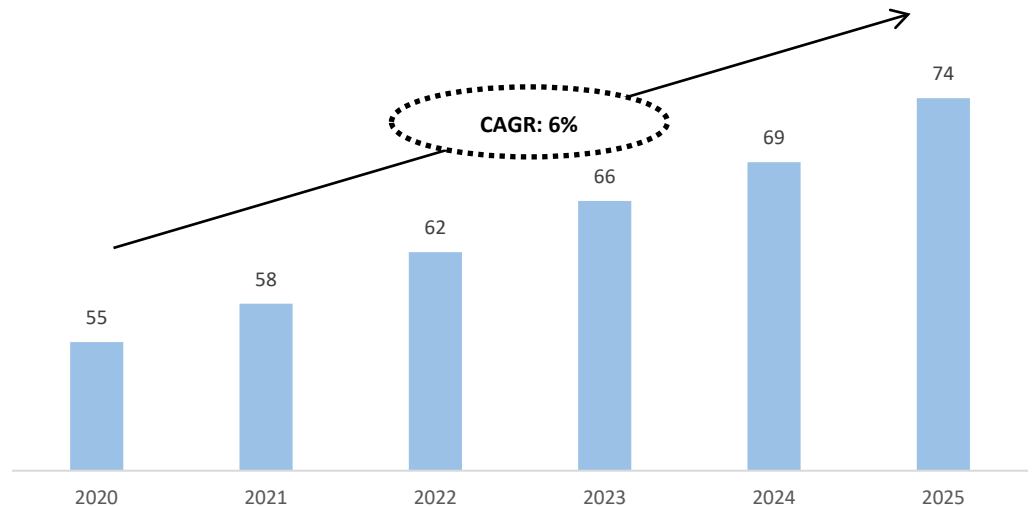


Source: Fortune Business Insights Report

Translation services

The process of globalization, combined with the ongoing technological revolution, leads to the need for an ever-greater dissemination of information in an ever-increasing number of languages. In this context, there is a growing need for language and translation services both in the short and medium-long term, with the growth of this market estimated from \$55bn in 2020 to \$74bn in 2025 (CAGR 6%).

Global language services market size 2020 – 2025 (\$bn)



Source: <https://www.nimdzi.com/nimdzi-100-top-lsp/>

As shown in the graph below, the language services market is extremely fragmented with the revenues of the top 100 companies in the world accounting for only 15% of the total turnover of the entire market.

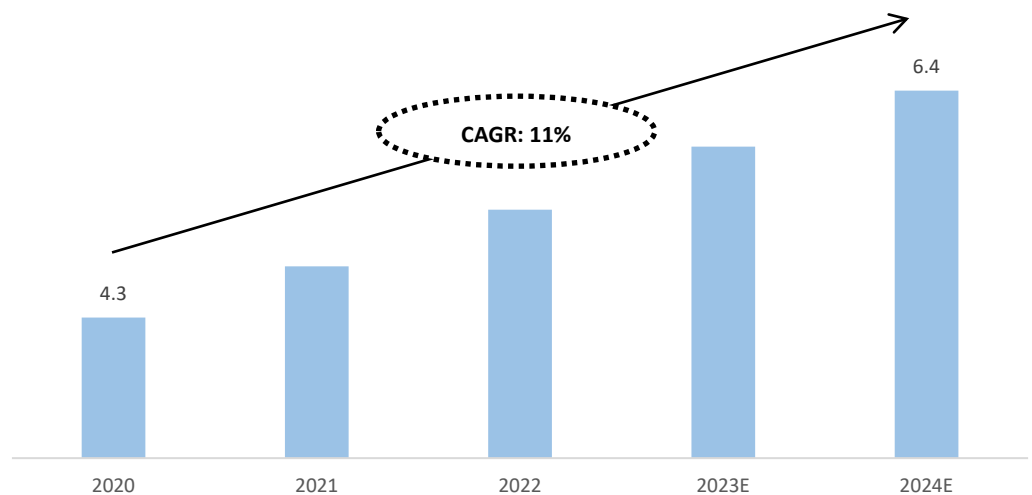
In this context, STAR7, thanks to the Acquisition of LocalEyes, is currently positioned among the top thirty global companies as a provider of such services.

E-Commerce

In recent years, the e-commerce sector has been growing decisively and irreversibly, with the level of e-commerce sales to retail expected to increase from \$4.3bn in 2020 to \$6.4bn in 2024 (CAGR 11%).

In this market, STAR7 benefits from the growing demand for solutions that can present products to customers in different languages and in an interactive way, allowing it to exploit the advantages deriving from the impact of the growth of this market also in digital printing services.

Retail e-commerce sales worldwide (\$bn)



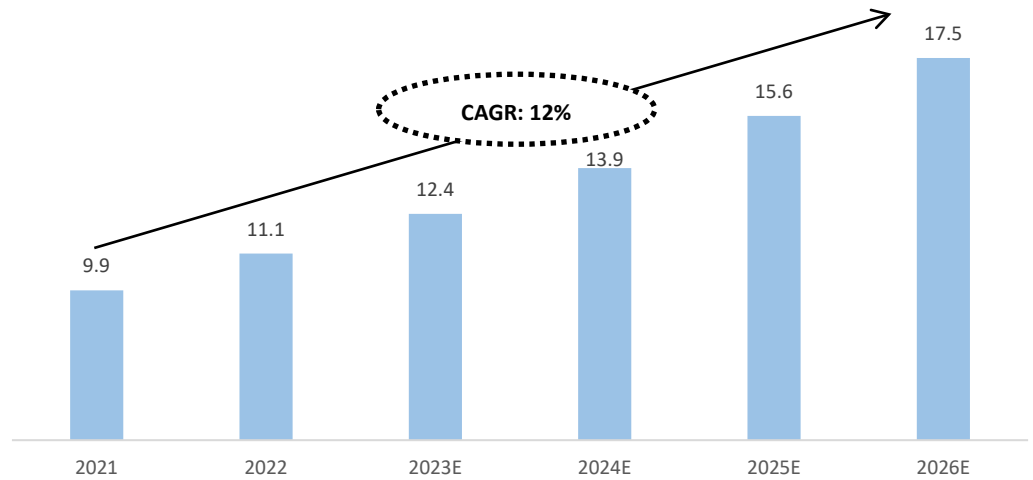
Source: <https://www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales/>

Digital Printing

Digital printing, compared to traditional printing, allows for greater customization based on the needs of the individual customer, as well as shorter processing times and lower costs for small print runs, offering numerous advantages for the end customer, to the point that digital printing services have gradually increased in recent years compared to analog printing services.

The global digital printing market is expected to grow to reach \$17.5 billion in 2026 (CAGR 12.1%), driven by increasing demand mainly from the textile, packaging, e-commerce, home furnishing and vehicle upholstery sectors, with particular opportunities coming mainly from emerging economies such as China and India, where the rapid process of industrialization is leading to an ever-increasing demand for digital printing services.

Global market for Digital printing 2021–2026 (\$bn)



Source: <https://www.industryarc.com/Report/19310/digital-printingmarket.html>

In this market, the Company appears to be well positioned to benefit from the underlying growth trends, exploiting the versatility of its digital printing solutions.

Growth Strategies

STAR7's main growth goal is to fully unlock the potential of the group's value by exploiting cross-selling / up-selling opportunities, exploiting opportunities in adjacent end markets and evaluating potential M&A opportunities in its core businesses.

The company intends to strengthen its competitiveness and market positioning by resorting to both internal growth strategies and growth by external lines.

Organic Growth & Exploit Cross-selling Opportunities

STAR7's internal growth strategy focuses on boosting profits through a two-pronged approach: increasing revenue and optimizing costs.

Revenue Growth:

- **Cross-Selling & Up-Selling:** STAR7 aim to leverage existing customer relationships by offering additional services (cross-selling) and higher-tier versions of existing services (up-selling).
- **New Service Development:** STAR7 plans to expand their service portfolio through technological advancements and by introducing entirely new features and services for customers.
- **Enhanced Marketing:** Strategic marketing activities will promote the full range of services offered by STAR7.

Cost Optimization:

- **Low-Cost Production Sites / Offshoring:** By setting up or strengthening production facilities in Albania and Argentina, STAR7 aims to reduce overall production costs.
- **Process Automation:** Investing in process simplification and automation will help streamline operations and reduce ongoing expenses.
- **Translation & Technical Writing Optimization:** Establishing subsidiaries in countries with lower personnel costs could potentially bring down the cost of translation and technical writing services.
- **Consulting & Engineering Efficiency:** Optimizing consulting and product/process engineering services will allow STAR7 to provide better value to clients while potentially reducing costs.

By implementing this internal growth strategy, STAR7 seeks to achieve sustainable profitability by maximizing revenue opportunities and minimizing operational expenses.

Inorganic Growth & M&A so far

STAR7 plans to leverage its experience with acquisitions to grow through strategic M&A. Management target companies have complementary skills and experience in similar business areas. This strategy aims to achieve cost and business synergies through which combining operations leads to cost savings and creating new business opportunities. Potential M&A transaction also aim towards knowledge acquisition by acquiring companies with specific expertise in certain sectors, broadening STAR7 own knowledge base and capabilities.

In recent years, STAR7 has accelerated its acquisition campaign with three particularly notable deals completed from 2021 to the present: the acquisition of LocalEyes, the acquisition and subsequent merger by incorporation of Vertere, and the lease of the business units, finalized for acquisition, of CAAR.

LocalEyes

In November 2021, STAR7 finalized the acquisition of 100% of the Irish company LocalEyes by financing the transaction through its own resources and through the issuance of two listed bonds totaling €25mn.

The acquisition was particularly relevant to STAR7's growth path enabling the company to strengthen its Global Content division, with a geographic expansion into the US market and a concomitant use of LocalEyes' network to sell existing services performed by STAR7 for its clientele.

LocalEyes was founded in 1997 to support a top-tier international client active in the tech sector in its challenge of brand globalization and has supported the Cupertino-based group on its path of expansion, particularly in Europe, dealing with the translation and localization of technical and customer facing content, evolving and innovating its know-how over time to offer services with increasing added value. In 1H21 LocalEyes revenues were equal to €6.4mn.

Vertere

In July 2022, STAR7 acquired 100% of Vertere, an Italian company active in translation and localization services. The distinctive aspect of the acquired company lies in the combination of analysis, development and Language Information Technology capabilities integrated within a peculiar management process based on workflow optimization.

In more detail, Vertere was founded in 1994 as a translation agency specializing in the machine tool and automation sectors. As early as 1996, it implemented the use of CAT Tools (Computer Assisted Translation Tool) in its workflows, successfully offering itself as a partner for the management of computer-assisted translation projects. At the time of the acquisition, Vertere's workforce consisted of project managers and in-house translators with certification in the use of SDL Trados products and IT experts. The company could rely on a network of more than 200 translators, proofreaders and external collaborators, divided by expertise and areas of specialization, located all over the world.

The acquisition transaction was for a total amount of €0.84mn, with an Equity Value calculated based on a multiple of 4.25x the average adjusted EBITDA of the last four fiscal years (2018-2021) of €0.2mn.

CAAR

In December 2022, STAR7 signed a Lease Agreement with Consulting Automotive Aerospace Railway (CAAR) Group for the Business Unit comprising CAAR (including the beneficial interests in the Subsidiaries in Brazil and Serbia) and a Lease Agreement for the Business Unit of the subsidiary company STI. The contracts are effective as of January 1, 2023, and include contracts related to ongoing projects (mainly with customers operating in the Automotive, Defense, and Agriculture sectors) and the employment contracts of approximately 320 employees, the vast majority of whom are engineers.

The CAAR Group was born in 2009 and leveraging a solid know-how in the field of Automotive, it has developed over the years a wide range of engineering solutions, mainly process, towards the Aerospace & Defense, Railway, Agriculture, Energy, Logistics, Infrastructure and Electronics sectors. These engineering services offered have been developed not only in Italy but also in the rest of Europe and especially in Brazil.

In the years leading up to 2023, CAAR faced a crisis situation that put the smooth continuation of business operations at risk.

In this context, the lease agreements signed are aimed at the sale of the Business Units to STAR7 in the context of CAAR's restructuring operation.

The term of the leases was initially scheduled for six months, which was then automatically renewed for an additional six months as the transfer of the Business Unit to STAR7 did not take place during the first six months of the contract. Once the six-month extension period had also expired, the contract was renewed.

Annual lease payments total €120k, while the purchase price for both businesses, which include operations in Brazil and Serbia, was set at €2.8mn. In addition, upon acquisition, STAR7 will take on bank debts up to a maximum of €3.2mn maturing at the end of 2027 and about €500k in annual repayments.

In FY23, the extraordinary integration costs of the CAAR group business unit impacted €1.4mn in terms of EBITDA. This process is now 80% complete and expected to be completed in 1Q24. Consequently, most of the extraordinary integration costs should also be almost fully addressed.

Exploit opportunities in adjacent end markets

STAR7 is looking to expand its reach in two key ways:

- **Geographic Expansion:** STAR7 plan to enter new markets, particularly in Europe and America, by either setting up new branches replicating current existing model or forming strategic joint ventures with local companies. STAR7 also targeting high-growth emerging markets to capitalize on new business opportunities.
- **Adjacent End-Markets:** Beyond geographic expansion, STAR7 sees potential in several new sectors that align well with their existing offerings. These "adjacent markets" include Life Sciences, Gaming, Information Technology, Tourism, and Entertainment. By entering these markets, STAR7 could offer services to a wider range of clients.

STAR7's current scouting efforts are focused on identifying potential acquisition targets or joint venture partners in Europe and America, particularly within the Experience and language services sectors. This focus will help them strengthen their existing market position and integrate new services that complement their current offerings.

Exploiting Technological Innovations

STAR7 is committed to staying at the forefront by strategically investing in technological advancements across its various divisions. Their focus areas include:

- **Process Automation:** This will streamline operations and improve efficiency across all departments.
- **Experience Solutions Development:** STAR7 plans to invest heavily in developing cutting-edge virtual reality and artificial intelligence solutions, particularly for the Engineering, Product Knowledge, and Experience divisions. These advancements will allow to offer customers more time-saving and cost-effective services.
- **Machine Translation & AI:** The Global Content division will leverage Neural Machine Translation and Artificial Intelligence to optimize and improve the translation process.
- **GEN-AI Integration:** Co-pilot phase with major customers aimed at integrating GEN-AI has been already initiated and is providing positive feedback. STAR7 has developed a clear evolutionary roadmap for integrating GEN-AI into its business services. This is based on introducing this technology within specific processes aimed at improving efficiency, product offerings, and the overall customer experience. STAR7 in this sense would leverage its expertise in product information management and existing data resources to be at the forefront of the adoption of generative AI solutions.
- **Digital Packaging & Automation:** STAR7 plans to enhance its digital packaging capabilities, with a focus on increasing production capacity and automating the kitting process for the Printing division. This will improve both the quality and efficiency of their kit production.

By strategically integrating these technological advancements, STAR7 aims to maintain a competitive edge and deliver even greater value to its clients.

Financials

Historical Results

Revenue

STAR7's FY23 revenues were up 25% YoY to €104mn vs €83.3mn in FY22. This growth follows a strong 1H23 (€50.9mn) and is attributed to a two-pronged strategy: organic growth and strategic acquisition. The lease of the CAAR Group business unit in early 2023 significantly boosted Engineering Service Line revenue, but existing customer acquisition and upselling efforts also played a key role. This successful combination positions STAR7 for continued momentum, with the Engineering division likely playing an increasingly prominent role in their revenue stream.

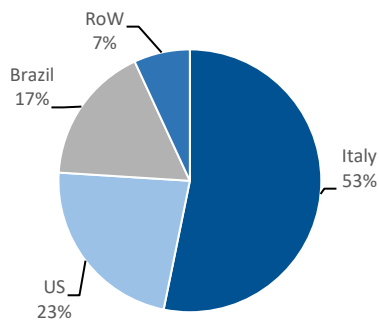
- **By Service Line** – Engineering increased strongly YoY to €21mn, driven by CAAR contribution. At the same time, also testifying the group's organic growth, the Experience + Product Knowledge and Printing divisions grew 8.9% YoY and 9.2% YoY respectively vs FY22. Slight decline in revenues from the Global Content division (-2.8% YoY).
- **By Region** – Revenue growth continues in all geographic areas in which the group operates. Once again, the growth contribution of Brazil is leading (from €7.2mn in FY22 to €17.9mn in FY23). Strong revenue growth also in Italy (+20% YoY) and RoW (+19% YoY).

STAR7: Revenue evolution by service line and by region (FY19-FY23)

(Eu mn)	FY19A	FY20A	FY21A	FY22A	FY23A
<i>by service line</i>					
Engineering	0.0	0.0	1.1	2.1	20.5
YoY		<i>nm</i>	<i>nm</i>	90%	<i>nm</i>
Experience + Product Knowledge	25.1	23.5	27.8	27.8	30.3
YoY		(6.3%)	18.6%	(0.1%)	8.9%
Global Content	17.9	13.9	33.8	38.5	37.5
YoY		(22.3%)	143.0%	14.1%	(2.8%)
Printing	8.2	6.1	10.1	14.8	16.2
YoY		(25.6%)	66.4%	46.4%	9.2%
<i>by region</i>					
Italy	37.8	33.0	42.2	46.5	55.5
YoY		(12.7%)	27.9%	10.0%	19.6%
US	3.6	3.5	20.4	23.5	23.8
YoY		(2.8%)	<i>nm</i>	15.1%	1.4%
Brazil	5.1	3.0	5.1	7.2	17.9
YoY		(40.5%)	67.6%	42.1%	<i>nm</i>
RoW	4.6	3.9	5.1	6.1	7.2
YoY		(15.0%)	30.4%	19.2%	18.5%
Net Revenues	51.1	43.5	72.8	83.3	104.4
YoY		(15.0%)	67.6%	14.3%	25.4%

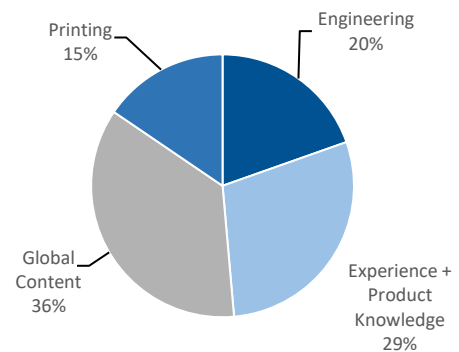
Source: Intermonte SIM

STAR7: Revenue Breakdown by Geography (FY23)



Source: Intermonte SIM

STAR7: Revenue Breakdown by Service (FY23)



Source: Intermonte SIM

Profitability

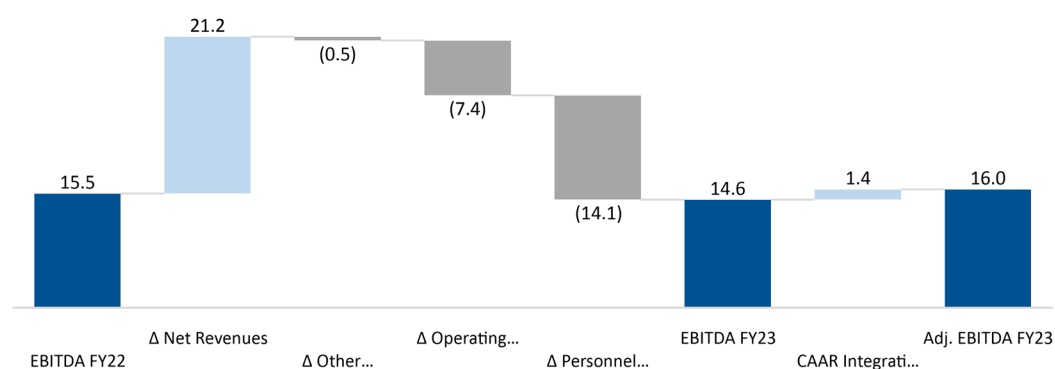
In FY23, reported EBITDA stood at €14.6mn (-5.4% YoY) mainly due to some cost inflation and extraordinary charges related to the integration process of the CAAR group business unit, whose efficiencies have yet to be fully released. At the Adjusted level, excluding costs related to the integration of CAAR, FY23 EBITDA was €16.0mn (+3.6% YoY). In terms of margins, after several years of expansion, Adjusted EBITDA margin decreased from 18.6% in FY22 to 15.3% in FY23. This trend is expected to be reversed as early as 2024 with a process of cost rationalization, including projects to increase the level of services provided by the offshore workforce.

STAR7: Business Profitability (FY19-FY23)

(Eu mn)	FY19A	FY20A	FY21A	FY22A	FY23A
Net Revenues	51.1	43.5	72.8	83.3	104.4
YoY		(15%)	68%	14%	25%
1st Margin	24.6	20.3	38.8	44.6	57.9
Margin	48.1%	46.8%	53.3%	53.6%	55.4%
YoY		(17%)	91%	15%	30%
EBITDA Adj.	5.9	4.4	12.8	15.5	16.0
Margin	11.6%	10.1%	17.6%	18.6%	15.3%
YoY		(26%)	nm	21%	4%
EBIT Adj.	4.2	3.9	6.6	11.6	11.4
Margin	8.2%	9.0%	9.1%	14.0%	11.0%
YoY		(7%)	69%	76%	(2%)
Net profit	2.5	1.7	2.7	3.4	2.2
Adj. Net Profit	2.5	2.7	3.6	6.3	5.8

Source: Intermonte SIM

STAR7: EBITDA Bridge (Eu mn) (FY22-FY23)



Source: Intermonte SIM

Balance Sheet / Net Financial Position / Cash Flows

At the end of December 2023, net debt came in at €38mn, slightly deteriorating compared to YE22 after a €5.8mn cash absorption from NWC and CAPEX of €9.3mn, including non-recurring cash-outs related to CAAR integration and €2.7mn related to headquarters refurbishing. In terms of Non-Current NFP, the bonds reimbursement path proceeding as scheduled. NFP deterioration is mainly related to higher-than-usual concentration of invoiced revenues vs main clients in Q4, with some 30% of STAR7 revenues invoiced in the last few months of 2023. For this reason, Net Debt as at 29 February 2024 already decreased to €31.5m.

STAR7: Balance Sheet (FY20-FY23)

(Eu mn)	FY20A	FY21A	FY22A	FY23A
Non-current assets	14.2	47.8	46.9	47.7
Net working capital	17.0	14.0	23.5	29.3
Non-current liabilities	(3.8)	(4.4)	(5.8)	(7.4)
Net Capital Employed	27.3	57.4	64.6	69.6
(Net Debt) / Cash	(16.3)	(31.9)	(35.1)	(37.8)
Shareholders Equity	11.0	25.5	29.5	31.9

Source: Intermonte SIM

STAR7: Structure of NFP (FY20-FY23)

(Eu mn)	FY20A	FY21A	FY22A	FY23A
Cash and deposits (+)	6.0	23.5	18.5	9.3
Current Financial Assets (+)	0.0	0.0	0.0	0.0
Debt to Banks in 12 months (-)	(8.5)	(10.2)	(12.8)	(13.5)
Bonds in 12 months (-)	0.0	0.0	(4.2)	(4.2)
Other Debt in 12 months (-)	(0.3)	(2.4)	(1.9)	(0.3)
Current NFP	(2.8)	10.8	(0.4)	(8.7)
Long term financial credits (+)	0.0	0.0	0.0	0.0
Debt to Banks over 12 months (-)	(11.7)	(12.9)	(10.7)	(8.9)
Debt to Others (-)	(1.8)	(4.9)	(3.2)	(4.0)
Bonds (-)	0.0	(25.0)	(20.8)	(16.2)
Non-Current NFP	(13.5)	(42.7)	(34.7)	(29.1)
Net Financial Position	(16.3)	(31.9)	(35.1)	(37.8)
<i>Net Debt / EBITDA adj.</i>	3.7	2.5	2.3	2.4
<i>Change in NFP</i>		(15.6)	(3.2)	(2.7)

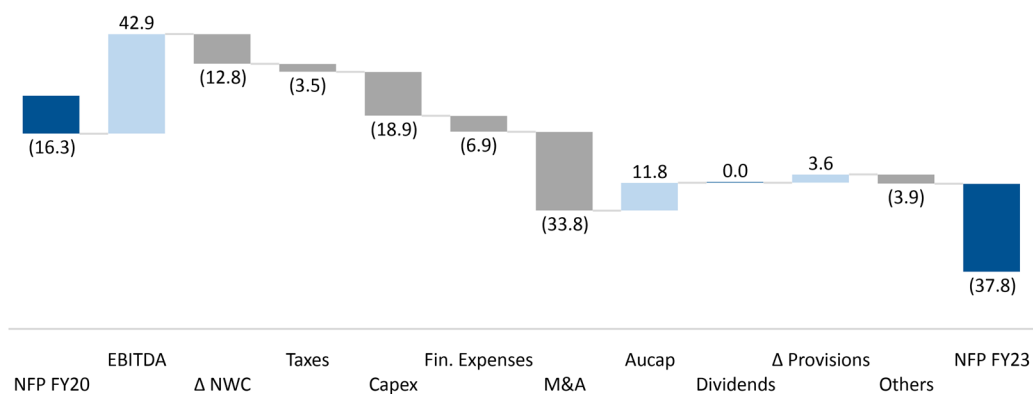
Source: Intermonte SIM

STAR7: Cash Flow (FY20-FY23)

(Eu mn)	FY20A	FY21A	FY22A	FY23A
EBITDA	4.4	12.8	15.5	14.6
Δ NWC	2.2	2.2	(9.4)	(5.7)
Taxes	(0.4)	(0.5)	(2.0)	(1.0)
Capex	(5.3)	(5.7)	(3.9)	(9.3)
Free Cash Flow	0.9	8.8	0.3	(1.4)
Financial Expenses	(0.3)	(1.6)	(2.3)	(3.0)
M&A	0.0	(31.6)	(2.2)	0.0
Aucap / Buyback	0.0	11.8	0.0	0.0
Dividends	0.0	0.0	0.0	0.0
Provisions	0.8	0.6	1.4	1.6
Others	(0.9)	(3.6)	(0.5)	0.1
Change in NFP	0.5	(15.6)	(3.2)	(2.7)

Source: Intermonte SIM

Below we show the FY20-FY23 NFP bridge, highlighting the impressive investment campaign pursued by STAR7 and aimed at developing the business, both through organic (Capex €18.9mn) and inorganic (M&A €34mn) growth. All this accompanied by an EBITDA generation of €43mn in five years with important synergies still to be explored.

STAR7: NFP Bridge (Eu mn) (FY20-FY23)


Source: Intermonte SIM

Financial Forecasts

FY24 Company Guidance

For 2024 and beyond, STAR7's growth strategy is based on leveraging and consolidating a proven business model positioned to benefit from artificial intelligence innovations. Specifically, there are three areas where management plans to focus for 2024:

- **Internationalization:** intention to continue the process of geographic expansion with some markets considered particularly interesting (India, Argentina and Saudi Arabia).
- **M&A:** While the more challenging than expected process of integrating CAAR has delayed the evaluation of new opportunities in recent months, management is now ready to move forward with new deals, possibly as early as in 2H24. Currently, as reiterated at the FY23 results, there is already a pipeline of companies considered to be attractive potential targets.
- **GEN-AI Integration:** STAR7, due to its full-service business model is well positioned to take advantage of technological innovations related to artificial intelligence. The co-pilot phase with major customers aimed at integrating these technologies has been initiated and is providing positive feedback. The pricing policy and business model are currently being defined, with a clear evolutionary roadmap for 2024.

In terms of FY24 guidance, management provided qualitative guidance with some more quantitative details:

STAR7: 2024 Company Qualitative/Quantitative Indications

Item	Assumptions
	- Execution of renewed contract with Stellantis in 2023, in place since early 2024. Estimated additional revenues in 2024: €6mn
Revenues	- Further strong development of Global Content services to be provided to LocalEyes' main customer with significant opportunity, which will lead STAR7 to new market in India (estimated additional revenue in 2024: €3mn)
CAAR Extraordinary Costs	- 80% executed in FY23 (€1.4mn). Negligible integration costs in 2024 with integration process expected to be completed in 1H24
EBITDA margin	- Recovery of operating margins with evidence of improvement already in 1H24
M&A	Already in talks with banks to finance M&A deals in 2024 (CAAR acquisition + a new deal planned for 2H24).

Source: Company indications

FY24-26 Intermonte estimates

STAR7: Intermonte Estimates assumptions

Item	Assumptions
Revenues	- Net Sales 2023-26 CAGR: +10% with +13% CAGR in Experience + Product Knowledge - Other revenues stable at ~€1mn
Costs	- Operating Cost/Net Revenues: down from ~45.8% in FY23 to ~43.8% in FY26 - Personnel Expenses/Net Revenues: down from ~41.4% in FY23 to ~40.7% in FY26
EBITDA margin	- At 14.8% in FY24 (up vs 14.0% in FY23), 15.5% in FY25 and 16.2% in FY26
D&A	- On avg. at ~€10mn per annum in the 3-years period (FY24-FY26)
Net Financial Expenses	- ~5% average cost of debt
NWC	- Trade working capital intensity to increase from the FY23 (€31.0mn) to (€43.0mn) in FY26
Capex	- On avg. at €8mn per annum over the next 3-years
Dividend	- No dividend payments
Leverage	- 1.5x EBITDA adj. in FY26 (from 2.4x in FY23)

Source: Intermonte SIM

STAR7: Revenue evolution by service line and by region (FY22A-FY26E)

(Eu mn)	Historical		Estimates		
	FY22A	FY23A	FY24E	FY25E	FY26E
<i>by service line</i>					
Engineering	2.1	20.5	22.4	24.8	27.2
<i>% on total</i>	2.5%	19.6%	19.0%	19.3%	19.7%
<i>YoY</i>	90%	<i>nm</i>	9%	11%	10%
Experience + Product Knowledge	27.8	30.3	36.8	40.3	43.5
<i>% on total</i>	33.4%	29.0%	31.2%	31.4%	31.6%
<i>YoY</i>	0%	9%	21%	10%	8%
Global Content	38.5	37.5	40.1	41.9	43.3
<i>% on total</i>	46.3%	35.9%	34.0%	32.7%	31.5%
<i>YoY</i>	14%	(3%)	7%	5%	3%
Printing	14.8	16.2	18.7	21.2	23.7
<i>% on total</i>	17.8%	15.5%	15.8%	16.5%	17.2%
<i>YoY</i>	46%	9%	15%	14%	12%
<i>by region</i>					
Italy	46.5	55.5	67.3	72.6	77.0
<i>% on total</i>	55.8%	53.2%	57.1%	56.6%	55.9%
<i>YoY</i>	10%	20%	21%	8%	6%
US	23.5	23.8	27.8	30.7	33.7
<i>% on total</i>	28.2%	22.8%	23.6%	23.9%	24.5%
<i>YoY</i>	15%	1%	17%	10%	10%
Brazil	7.2	17.9	17.1	18.9	20.5
<i>% on total</i>	8.7%	17.1%	14.5%	14.7%	14.9%
<i>YoY</i>	42%	146%	-4%	10%	9%
RoW	6.1	7.2	5.7	6.2	6.5
<i>% on total</i>	7.3%	6.9%	4.8%	4.8%	4.7%
<i>YoY</i>	19%	19%	-21%	9%	5%
Net Revenues	83.3	104.4	117.9	128.3	137.7
<i>YoY</i>	14%	25%	13%	9%	7%

Source: Intermonte SIM

STAR7: P&L (FY22A-FY26E)

(Eu mn)	Historical		Estimates		
	FY22A	FY23A	FY24E	FY25E	FY26E
Net Revenues	83.3	104.4	117.9	128.3	137.7
Other Revenues	1.7	1.2	1.0	1.0	1.0
Total Revenues	85.0	105.6	118.9	129.3	138.7
Operating Costs	(40.4)	(47.8)	(53.5)	(57.1)	(60.3)
Personnel Costs	(29.2)	(43.2)	(48.0)	(52.3)	(56.1)
Total Costs	(69.5)	(91.0)	(101.5)	(109.5)	(116.4)
EBITDA Reported	15.5	14.6	17.4	19.8	22.3
<i>Ebitda margin reported</i>	18.6%	14.0%	14.8%	15.5%	16.2%
EBITDA Adjusted	15.5	16.0	18.1	19.8	22.3
<i>Ebitda margin adj.</i>	18.6%	15.3%	15.4%	15.5%	16.2%
D&A	(7.8)	(8.2)	(9.4)	(10.1)	(10.6)
EBIT Reported	7.7	6.4	8.0	9.8	11.7
<i>Ebit margin reported</i>	9.2%	6.1%	6.8%	7.6%	8.5%
EBIT Adjusted	11.6	11.4	11.7	12.8	14.7
<i>Ebit margin adj.</i>	14.0%	11.0%	9.9%	10.0%	10.7%
Net Financial Income	(2.3)	(3.0)	(2.8)	(2.7)	(2.4)
Gain (loss) on investments	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	5.4	3.4	5.2	7.0	9.3
Income taxes	(1.9)	(1.2)	(1.9)	(2.5)	(3.3)
<i>Tax rate</i>	(36.2%)	(34.6%)	(36.0%)	(36.0%)	(36.0%)
Net profit	3.4	2.2	3.3	4.5	5.9
Adjusted net profit	6.3	5.8	5.9	6.7	8.1

Source: Intermonte SIM

STAR7: Balance Sheet (FY22A-FY26E)

(Eu mn)	Historical		Estimates		
	FY22A	FY23A	FY24E	FY25E	FY26E
Non-current assets	46.9	47.7	49.5	48.3	48.2
Net working capital	23.5	29.3	33.0	37.0	41.4
Non-current liabilities	(5.8)	(7.4)	(9.6)	(9.9)	(10.3)
Net Capital Employed	64.6	69.6	72.9	75.5	79.3
(Net Debt) / Cash	(35.1)	(37.8)	(37.7)	(35.8)	(33.6)
Shareholders Equity	29.5	31.9	35.2	39.7	45.6

Source: Intermonte SIM

STAR7: Cash Flow (FY22A-FY26E)

(Eu mn)	Historical		Estimates		
	FY22A	FY23A	FY24E	FY25E	FY26E
EBITDA	15.5	14.6	17.4	19.8	22.3
Δ NWC	(9.4)	(5.7)	(3.6)	(4.1)	(4.3)
Taxes	(2.0)	(1.0)	(1.9)	(2.5)	(3.3)
Capex	(3.9)	(9.3)	(6.2)	(8.9)	(10.5)
Free Cash Flow	0.3	(1.4)	5.7	4.4	4.2
Financial Expenses	(2.3)	(3.0)	(2.8)	(2.7)	(2.4)
M&A	(2.2)	0.0	(5.0)	0.0	0.0
Aucap / Buyback	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Provisions	1.4	1.6	2.2	0.3	0.4
Others	(0.5)	0.1	0.0	0.0	0.0
Change in NFP	(3.2)	(2.7)	0.1	1.9	2.2

Source: Intermonte SIM

Valuation

We initiate coverage on the stock with an BUY rating and a target price of Eu10.1ps, based on the simple average of a DCF model and a peer comparison.

DCF model

Our DCF model yields a fair equity valuation of Eu10.2ps, based on the following assumptions:

- WACC at 8.8% based on (i) a 4.0% risk-free rate, (ii) a 5.5% equity risk premium, (iii) unlevered beta at 1.0, (iv) cost of debt at 5.0% and (v) a target capital structure with leverage at 25%.
- Perpetual growth rate at 2.5%, which includes STAR7's long-term growth opportunities, leveraging favourable market developments for a one-stop product information lifecycle business model.
- We cautiously assumed EBITDA margin to gradually recover to reach FY22 level not before 10 years, with an exit EBITDA multiple on TV at 6.6x, almost in line with historical figures.

STAR7: Discounted Cash Flow

(Eu mn)	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
EBITDA	15.5	14.6	17.4	19.8	22.3	23.3	24.6	26.0	27.5
<i>EBITDA margin</i>	18.6%	14.0%	14.8%	15.5%	16.2%	16.2%	16.4%	16.6%	16.8%
D&A	(7.8)	(8.2)	(9.4)	(10.1)	(10.6)	(11.0)	(11.5)	(12.2)	(12.5)
Taxes	(1.8)	(1.5)	(1.9)	(2.3)	(2.8)	(3.0)	(3.1)	(3.3)	(3.6)
NOPAT	5.8	4.8	6.1	7.4	8.9	9.4	10.0	10.5	11.4
<i>D&A</i>	7.8	8.2	9.4	10.1	10.6	11.0	11.5	12.2	12.5
Δ NWC	(9.4)	(5.7)	(3.6)	(4.1)	(4.3)	(3.4)	(2.9)	(3.1)	(2.9)
Capex	(3.9)	(9.3)	(6.2)	(8.9)	(10.5)	(10.9)	(11.4)	(11.9)	(12.5)
Free Cash Flow	0.4	(1.9)	5.6	4.6	4.7	6.1	7.1	7.7	8.5
<i>Discounting Factor</i>			0.92	0.84	0.78	0.71	0.66	0.60	0.55
Discounted CFs			5.2	3.9	3.6	4.3	4.7	4.6	4.7

Source: Intermonte SIM

STAR7: DCF valuation / Sensitivity to WACC and perpetuity growth rate

Terminal Value

Perp. Growth	2.50%
FCF TV	11.8
TV	186.8
PV of TV	103.3

DCF Valuation

PV CFs (24E-30E)	31.0
PV of TV	103.3
EV	134.3
NFP FY23E	(37.8)
CAAR acquisition cash-out	(5.0)
Equity Value	91.6
Shs. (#mn)	9.0
Equity value p/s	10.2

Source: Intermonte SIM

Equity value p/s	WACC	Perpetuity growth rate				
		1.50%	2.00%	2.50%	3.00%	3.50%
7.33%		9.7	10.6	11.5	12.7	14.1
7.83%		9.3	10.1	11.1	12.2	13.5
8.33%		8.9	9.7	10.6	11.7	13.0
8.83%		8.5	9.3	10.2	11.2	12.5
9.33%		8.1	8.9	9.8	10.8	12.0
9.83%		7.8	8.5	9.3	10.3	11.5
10.33%		7.4	8.1	8.9	9.9	11.0

Peer comparison

We take EV/EBITDA and P/E as reference multiples and 2024E/25E/26E as periods be used for valuation purposes. We have chosen a list of peers based on international players engaged in provision of industrial equipment engineering services, technical documentation solutions, printing & packaging solutions and translation services businesses.

STAR7 is currently trading at 5.2x/4.7x/4.1x EV/EBITDA for 2024E/25E/26E based on our estimates, a 32%/29%/30% discount vs. the average for our selected peer cluster. Indeed, applying the average multiple on EBITDA we get a fair equity value of Eu10.7p/s for STAR7.

In the same way, STAR7 is currently trading at 9.5x/8.4x/7.0x P/E for 2024E/25E/26E based on our estimates, a 34%/31%/37% discount vs. the average for our selected peer cluster. Indeed, applying the average multiple on P/E we get a fair equity value of Eu9.4p/s for STAR7.

Applying the simple average between the two multiples we get a fair equity value of Eu10.1p/s for STAR7.

STAR7: Peers relative valuation

Co. name	Country	Mkt cap (Eu mn)	EV/Sales			EV/EBITDA			EV/EBIT			PE		
			2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026
Etteplan Oyj	FI	352	1.0 x	1.0 x	0.9 x	8.1 x	7.1 x	6.3 x	13.5 x	11.2 x	9.9 x	15.5 x	13.3 x	12.0 x
Elanders AB	SE	304	0.8 x	0.8 x	0.7 x	5.6 x	5.2 x	4.6 x	13.1 x	11.6 x	10.2 x	11.3 x	8.6 x	7.3 x
Class B RWS Holdings plc	GB	815	0.9 x	0.9 x	0.8 x	4.3 x	3.9 x	3.6 x	6.7 x	5.8 x	5.2 x	8.1 x	7.4 x	6.8 x
Almawave S.p.A.	IT	129	1.6 x	1.4 x	1.1 x	6.7 x	5.7 x	4.5 x	10.2 x	8.4 x	6.7 x	14.3 x	10.7 x	9.0 x
Keywords Studios plc	IE	2,123	2.4 x	2.1 x	1.9 x	12.3 x	10.8 x	9.6 x	16.1 x	14.1 x	13.1 x	21.7 x	19.9 x	18.4 x
Alten SA	FR	4,426	0.9 x	0.8 x	0.8 x	8.5 x	7.4 x	6.6 x	10.3 x	8.8 x	7.8 x	14.7 x	13.3 x	12.3 x
Average			1.3 x	1.2 x	1.0 x	7.6 x	6.7 x	5.9 x	11.6 x	10.0 x	8.8 x	14.3 x	12.2 x	11.0 x
Median			1.0 x	0.9 x	0.8 x	7.4 x	6.4 x	5.5 x	11.7 x	10.0 x	8.9 x	14.5 x	12.0 x	10.5 x

Source: Intermonte SIM

STAR7: Equity value per share based on peers' multiples

EBITDA Adj. (Eu mn)	Int. Est.	Multiple	EV	Net Cash (Debt)	Equity Value	NOSH	p/s
EBITDA Adj. FY24E	18	7.6 x	138	(37.8)	100	9.00	11.1
EBITDA Adj. FY25E	20	6.7 x	132	(37.7)	95	9.00	10.5
EBITDA Adj. FY26E	22	5.9 x	131	(35.8)	95	9.00	10.6
1st Average					97		10.7
Net Profit Adj. (Eu mn)	Int. Est.	Multiple			Equity Value	NOSH	p/s
Net Profit Adj. FY24E	5.9	14.3 x			85	9.00	9.4
Net Profit Adj. FY25E	6.7	12.2 x			81	9.00	9.0
Net Profit Adj. FY26E	8.1	11.0 x			89	9.00	9.9
2nd Average					85		9.4
Equity value per share based on peers' multiples					91		10.1

Source: Intermonte SIM

Valuation Summary

STAR7 - Valuation Recap

(Eu)	
DCF	10.2
Multiples	10.1
Fair Value ps (Eu)	10.1
<i>Premium / discount</i>	<i>0%</i>
Target price	10.1

Implied valuation at our target price

Implied Mkt cap (Eu mn)	91.2			
Implied EV (Eu mn)	128.9			
Implied multiples		2024E	2025E	2026E
EV/Sales		1.1x	1.0x	0.9x
EV/Ebitda		7.4x	6.5x	5.8x
EV/Ebit		11.0x	10.1x	8.8x
P/E		15.3x	13.7x	11.3x

Source: Intermonte SIM

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	STAR7		
Current Recomm:	BUY	Previous Recomm:	--
Current Target (Eu):	10.10	Previous Target (Eu):	--
Current Price (Eu):	6.30	Previous Price (Eu):	--
Date of report:	22/05/2024	Date of last report:	--

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- 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.

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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;

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Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emitente	%	Long/Short
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