

EQUITY RESEARCH

STAR7
FEEDBACK CONFERENCE
Conference TPICAP Midcap

BUY
TP 12.0€
Up/Downside: 95%

H2 2024 Objectives: Integration of Gen AI and M&A.

STAR7 creates and manages product content and information in all languages of the world, and is the ideal partner to help companies build their future and maximize their potential and success.

STAR7's 2023 revenues increased by 25.4% to reach €104.4m. STAR7 entered 2024 with two important projects (thanks to the work done in 2023), which will generate at least an additional €9m and facilitate the expected growth in 2024. EBITDA for 2023 decreased by 5.4% YoY to €14.6m due to the extraordinary costs of integrating the acquisition of CAAR's engineering branch. Without these extraordinary items, adjusted EBITDA would have been €16m. This level of margin, combined with the reduction in additional costs that was completed in Q1 2024, has led us to estimate an EBITDA margin of 15.8% for 2024, which we believe the company can achieve.

Net debt increased to €37.7m YoY (compared to €35.1m YoY), the difference being due to significant capex investments and a temporarily unfavorable working capital dynamic. The company also disclosed its net debt at the end of February, significantly down to €31.5m, which gives an adjusted net debt to EBITDA ratio of about 2x.

The company has a clear vision for developing AI-based solutions to meet the needs of its clients and is ideally positioned in terms of availability of technical information and technological capabilities to support the development of AI tools for various purposes (including staff training or after-sales services).

We remain confident in the company's development potential, which currently has over 1,300 employees, nearly 70% of whom are engineers. We believe the stock has significantly more potential than the market currently recognizes (4.9x EV/EBITDA 2024, 7.1x EV/EBIT adj 2024) and we reiterate our buy recommendation, with a target price of €12.

Key data

Price (€)	6.2
Industry	Corporate Services
Ticker	STAR7-IT
Shares Out (m)	9.000
Market Cap (m €)	55.3

Source: FactSet

Ownership (%)

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

Source: TPICAP Midcap estimates

EPS (€)

	12/24e	12/25e	12/26e
Estimates	1.01	1.13	1.19
Change vs previous estimates (%)	0.00	0.00	0.00

Source: TPICAP Midcap estimates

Performance (%)

	1D	1M	YTD
Price Perf	-0.8	-9.6	-19.1
Rel FTSE Italy	-0.9	-10.2	-29.3



Source: FactSet

TP ICAP Midcap Estimates	12/23	12/24e	12/25e	12/26e	Valuation Ratio	12/24e	12/25e	12/26e
Sales (m €)	105.6	118.7	128.1	135.9	EV/Sales	0.8	0.7	0.6
Current Op Inc (m €)	10.0	12.8	14.2	14.8	EV/EBITDA	4.9	4.3	3.8
Current op. Margin (%)	9.5	10.8	11.1	10.9	EV/EBIT	7.1	6.4	5.9
EPS (€)	0.76	1.01	1.13	1.19	PE	6.1	5.4	5.2
DPS (€)	0.00	0.00	0.00	0.00	Source: TPICAP Midcap			
Yield (%)	0.0	0.0	0.0	0.0				
FCF (m €)	-2.7	2.0	0.1	3.4				

Consensus FactSet - Analysts:2	12/24e	12/25e	12/26e
Sales	115.4	124.1	132.0
EBIT	12.9	15.3	16.5
Net income	8.0	9.5	10.3

Analyst
Davide Longo
davide.longo@tpicap.com
+33173030977



FINANCIAL DATA

Income Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Sales	60.0	85.0	105.6	118.7	128.1	135.9
Changes (%)	34.6	41.6	24.3	12.4	7.9	6.1
Gross profit	56.3	79.8	99.6	112.5	121.8	129.6
% of Sales	93.7	93.9	94.3	94.8	95.1	95.4
EBITDA	8.3	15.5	14.6	18.8	21.1	23.1
% of Sales	13.8	18.3	13.8	15.8	16.5	17.0
Current operating profit	5.2	11.8	10.0	12.8	14.2	14.8
% of Sales	8.6	13.9	9.5	10.8	11.1	10.9
Non-recurring items	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
EBIT	5.1	11.6	10.0	12.8	14.1	14.7
Net financial result	-0.6	-2.3	-3.0	-2.9	-2.8	-2.7
Income Tax	-0.9	-1.9	-1.2	-2.2	-2.7	-3.0
Tax rate (%)	19.8	20.8	16.8	22.3	23.9	24.6
Net profit, group share	3.3	7.1	5.8	7.7	8.6	9.1
EPS	0.43	0.92	0.76	1.01	1.13	1.19
Financial Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Goodwill	35.5	33.6	30.0	25.2	20.7	16.5
Tangible and intangible assets	12.0	12.5	17.4	19.1	21.1	23.5
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.3	0.8	0.3	0.3	0.3	0.3
Working capital	15.3	24.9	31.0	36.2	43.7	47.7
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0
Assets	63.1	71.8	78.7	80.8	85.8	87.9
Shareholders equity group	24.6	28.3	30.5	34.6	39.7	45.2
Minorities	0.9	1.2	1.3	1.3	1.3	1.3
LT & ST provisions and others	5.7	7.2	9.0	9.0	9.0	9.0
Net debt	31.9	35.1	37.8	35.8	35.7	32.3
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	63.1	71.8	78.7	80.8	85.8	87.9
Net debt excl. IFRS 16	31.9	35.1	37.8	35.8	35.7	32.3
Gearing net	1.3	1.2	1.2	1.0	0.9	0.7
Leverage	3.9	2.3	2.6	1.9	1.7	1.4
Cash flow statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
CF after elimination of net borrowing costs and taxes	7.7	12.4	12.3	13.6	15.6	17.4
Δ WCR	2.2	-9.6	-5.7	-5.2	-7.4	-4.0
Operating cash flow	9.9	2.8	6.6	8.4	8.2	13.4
Net capex	-6.1	-4.2	-9.3	-6.5	-8.0	-10.0
FCF	3.8	-1.4	-2.7	2.0	0.1	3.4
Acquisitions/Disposals of subsidiaries	-31.6	-2.2	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0	0.0
Change in borrowings	33.1	-1.8	-6.5	-5.2	-2.8	-2.8
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Repayment of leasing debt	0.0	0.0	0.0	0.0	0.0	0.0
Equity Transaction	11.8	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.1	0.0	0.0	0.0	0.0
Change in net cash over the year	17.4	-5.2	-9.1	-3.3	-2.7	0.5
ROA (%)	5.7%	10.3%	7.4%	9.5%	10.1%	10.3%
ROE (%)	14.6%	26.2%	19.1%	22.2%	21.8%	20.1%

DISCLAIMER

Analyst certifications

This research report (the “Report”) has been approved by Midcap, a business division of TP ICAP (Europe) SA (“Midcap”), an Investment Services Provider authorised and regulated by the Autorité de Contrôle Prudentiel et de Résolution (“ACPR”). By issuing this Report, each Midcap analyst and associate whose name appears within this Report hereby certifies that (i) the recommendations and opinions expressed in the Report accurately reflect the research analyst’s and associate’s personal views about any and all of the subject securities or issuers discussed herein and (ii) no part of the research analyst's or associate’s compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst or associate in the Report.

Methodology

This Report may mention evaluation methods defined as follows:

1. DCF method: discounting of future cash flows generated by the company's operations. Cash flows are determined by the analyst's financial forecasts and models. The discount rate used corresponds to the weighted average cost of capital, which is defined as the weighted average cost of the company's debt and the theoretical cost of its equity as estimated by the analyst.
2. Comparable method: application of market valuation multiples or those observed in recent transactions. These multiples can be used as references and applied to the company's financial aggregates to deduce its valuation. The sample is selected by the analyst based on the characteristics of the company (size, growth, profitability, etc.). The analyst may also apply a premium/discount depending on his perception of the company's characteristics.
3. Assets and liabilities method: estimate of the value of equity capital based on revalued assets adjusted for the value of the debt.
4. Discounted dividend method: discounting of estimated future dividend flows. The discount rate used is generally the cost of capital.
5. Sum of the parts: this method consists of estimating the various activities of a company using the most appropriate valuation method for each of them, then realizing the sum of the parts.

Conflict of Interests between TP ICAP Midcap and the Issuer

G. Midcap and the Issuer have agreed to the provision by the former to the latter of a service for the production and distribution of the investment recommendation on the said Issuer: Star7

K. Midcap, according to article 3, paragraph 1, numbers (34) and (35) Regulation (EU) No 596/2014, has been commissioned to produce Equity Research for the Company by arrangement with the Specialist engaged by the Company: Star7

History of investment rating and target price – Star7



Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	82%	64%
Hold	15%	54%
Sell	2%	33%
Under review	1%	100%

Midcap employs a rating system based on the following:

Buy: Expected to outperform the markets by 10% or more over a 6 to 12 months horizon.

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

Sell: Stock is expected underperform the markets by 10% or more over a 6 to 12 months horizon.

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

General Disclaimer

This Report is confidential and is for the benefit and internal use of the selected recipients only. No part of it may be reproduced, distributed, or transmitted without the prior written consent of Midcap

This Report is published for information purposes only and does not constitute a solicitation or an offer to buy or sell any of the securities mentioned herein. The information contained in this Report has been obtained from sources believed to be reliable and public, Midcap makes no representation as to its accuracy or completeness. The reference prices used in this Report are closing prices of the day before the publication unless otherwise stated. All opinions expressed in this Report reflect our judgement at the date of the documents and are subject to change without notice. The securities discussed in this Report may not be suitable for all investors and are not intended to recommend specific securities, financial instruments, or strategies to particular clients. Investors should make their own investment decisions based on their financial situation and investment objectives. The value of the income from your investment may vary due to changes in interest rates, changes in the financial and operating conditions of companies and other factors. Investors should be aware that the market price of the securities discussed in this Report may be volatile. Due to the risk and volatility of the industry, the company, and the market in general, at the current price of the securities, our investment rating may not correspond to the stated price target. Additional information regarding the securities mentioned in this Report is available on request.

This Report is not intended for distribution or use by any entity who is a citizen or resident of, or an entity located in any locality, territory, state, country, or other jurisdiction where such distribution, publication, availability, or use would be contrary to or limited by law or regulation. Entity or entities in possession of this Report must inform themselves about and comply with any such restrictions, including MIFID II. This Report is only intended for persons who are Eligible Counterparties or Professional Clients within the meaning of MIFID II regulation. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. The Report is subject to restricted circulation. The research was conducted in accordance with the provisions of the Charter of good practices for sponsored research. Midcap has adopted effective administrative and organizational arrangements, including "information barriers", to prevent and avoid conflicts of interest regarding investment recommendations. The remuneration of financial analysts who participate in the preparation of the recommendation is not linked to the corporate finance activity.