

## EQUITY RESEARCH

### STAR7 RESULTS REVIEW

**BUY**

**TP 12.2€ (vs 12.0€)**

Up/Downside: 118%

### STAR7 is becoming increasingly international.

STAR7 released yesterday the preliminary data for revenues for the first half of 2024, showing an organic growth of 18%, significantly higher than our estimate of 12.4%. The growth was driven by the Product Knowledge division (+39.2% YoY) and Engineering (+30.8% YoY) and was primarily concentrated in Brazil (+51.5% YoY) and the United States (+37.7% YoY).

STAR7 released its preliminary results for H1 2024 yesterday, showing entirely organic growth of 18% (versus the expected 12.4%). Product Knowledge and Experience has once again become the main division (34.2% of revenue), thanks to a YoY growth of 39.2%, partly driven by the new collaboration contract with a new client in the United States and Brazil. Next, Global Content (34.1% of revenue) grew by 12.1% YoY, due to significant progress with the division's main client, with which the company is actively collaborating on the development of technologies primarily aimed at the Indian market. The Engineering division (20.4% of revenue) grew by 30.8%, increasingly highlighting the company's cross-selling capability. Finally, the Printing division (11.3% of revenue) ended with a YoY decline of 20.2%.

Analyzing the same data by region, Italy remains STAR7's main market, generating 51.2% of H1 revenue (+5.7% YoY). The United States follows, now accounting for 25.1% of revenue thanks to significant growth of 37.7%. Brazil also grew substantially, with an increase of +51.5% YoY, remaining the company's third geographic hub at 18.1% of revenue. Finally, the rest of the world (mainly Europe) saw a YoY decline of 9.2%.

We have revised upwards our 2024 revenue growth forecasts to 15% (vs. 12.4% previously), as well as EBITDA, now at €19m (vs. €18.8m previously). The year-end net debt forecast remains unchanged due to three adjustments. We have reduced the capex investment forecast by approximately €2m, as we estimate the company is well advanced in the CAAR integration phase and will therefore need to invest less. We have also improved the operating cash flow generation by €3m, as we believe the company will be able to better manage its working capital this year. Finally, we have included a cash outflow for the payment of the CAAR engineering branch of €5m, as we estimate that the acquisition could be paid by the end of the year. The impact on net debt for 2024 is neutral, but the cash generation scenario starting from 2025 is significantly improved. We are raising the price target on STAR7, which we consider to be significantly undervalued, to €12.2.

#### Key data

Price (€)	5.6
Industry	Corporate Services
Ticker	STAR7-IT
Shares Out (m)	9.000
Market Cap (m €)	50.4

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	1.04	1.17	1.30
Change vs previous estimates (%)	2.88	3.78	10.02

Source: TPICAP Midcap estimates

Performance (%)	1D	1M	YTD
Price Perf	-1.8	-6.7	-26.3
Rel FTSE Italy	-1.3	-9.0	-34.8



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	121,5	129,3	137,3	EV/Sales	0.7	0.6	0.5
Current Op Inc (m €)	10.0	13.3	14.9	16.3	EV/EBITDA	4.5	3.8	3.2
Current op. Margin (%)	9.5	11.0	11.5	11.9	EV/EBIT	6.5	5.4	4.6
EPS (€)	0.76	1.04	1.17	1.30	PE	5.4	4.8	4.3
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	7.0	5.9	5.2				

Consensus FactSet - Analysts:2	12/24e	12/25e	12/26e
Sales	118.9	128.6	137.5
EBIT	10.4	12.1	13.4
Net income	5.4	6.8	7.6

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## FINANCIAL DATA

<b>Income Statement</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24e</b>	<b>12/25e</b>	<b>12/26e</b>
Sales	60.0	85.0	105.6	121.5	129.3	137.3
Changes (%)	34.6	41.6	24.3	15.0	6.5	6.1
Gross profit	56.3	79.8	99.6	116.0	123.9	131.8
% of Sales	93.7	93.9	94.3	95.5	95.8	96.0
<b>EBITDA</b>	<b>8.3</b>	<b>15.5</b>	<b>14.6</b>	<b>19.0</b>	<b>21.1</b>	<b>23.1</b>
% of Sales	13.8	18.3	13.8	15.6	16.3	16.8
<b>Current operating profit</b>	<b>5.2</b>	<b>11.8</b>	<b>10.0</b>	<b>13.3</b>	<b>14.9</b>	<b>16.3</b>
% of Sales	8.6	13.9	9.5	11.0	11.5	11.9
Non-recurring items	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
EBIT	5.1	11.6	10.0	13.3	14.8	16.2
Net financial result	-0.6	-2.3	-3.0	-3.0	-2.9	-2.8
Income Tax	-0.9	-1.9	-1.2	-2.3	-2.9	-3.4
Tax rate (%)	19.8	20.8	16.8	22.8	24.4	25.6
<b>Net profit, group share</b>	<b>3.3</b>	<b>7.1</b>	<b>5.8</b>	<b>7.9</b>	<b>9.0</b>	<b>10.0</b>
EPS	0.43	0.92	0.76	1.04	1.17	1.30
<b>Financial Statement</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24e</b>	<b>12/25e</b>	<b>12/26e</b>
Goodwill	35.5	33.6	30.0	30.2	25.7	21.5
Tangible and intangible assets	12.0	12.5	17.4	17.5	17.4	16.9
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	33.0	37.2	43.1
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0
<b>Assets</b>	<b>63.1</b>	<b>71.8</b>	<b>78.7</b>	<b>81.1</b>	<b>80.6</b>	<b>81.7</b>
Shareholders equity group	24.6	28.3	30.5	34.9	40.3	46.6
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	29.9	24.7
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Liabilities</b>	<b>63.1</b>	<b>71.8</b>	<b>78.7</b>	<b>81.1</b>	<b>80.6</b>	<b>81.7</b>
Net debt excl. IFRS 16	31.9	35.1	37.8	35.8	29.9	24.7
Gearing net	1.3	1.2	1.2	1.0	0.7	0.5
Leverage	3.9	2.3	2.6	1.9	1.4	1.1
<b>Cash flow statement</b>	<b>12/21</b>	<b>12/22</b>	<b>12/23</b>	<b>12/24e</b>	<b>12/25e</b>	<b>12/26e</b>
CF after elimination of net borrowing costs and taxes	7.7	12.4	12.3	13.6	15.2	16.8
$\Delta$ WCR	2.2	-9.6	-5.7	-2.1	-4.2	-5.9
Operating cash flow	9.9	2.8	6.6	11.5	11.0	10.9
Net capex	-6.1	-4.2	-9.3	-4.6	-5.1	-5.7
FCF	3.8	-1.4	-2.7	7.0	5.9	5.2
Acquisitions/Disposals of subsidiaries	-31.6	-2.2	0.0	-5.0	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	3.1	2.4
ROA (%)	5.7%	10.3%	7.4%	9.8%	11.1%	12.2%
ROE (%)	14.6%	26.2%	19.1%	22.7%	22.3%	21.4%

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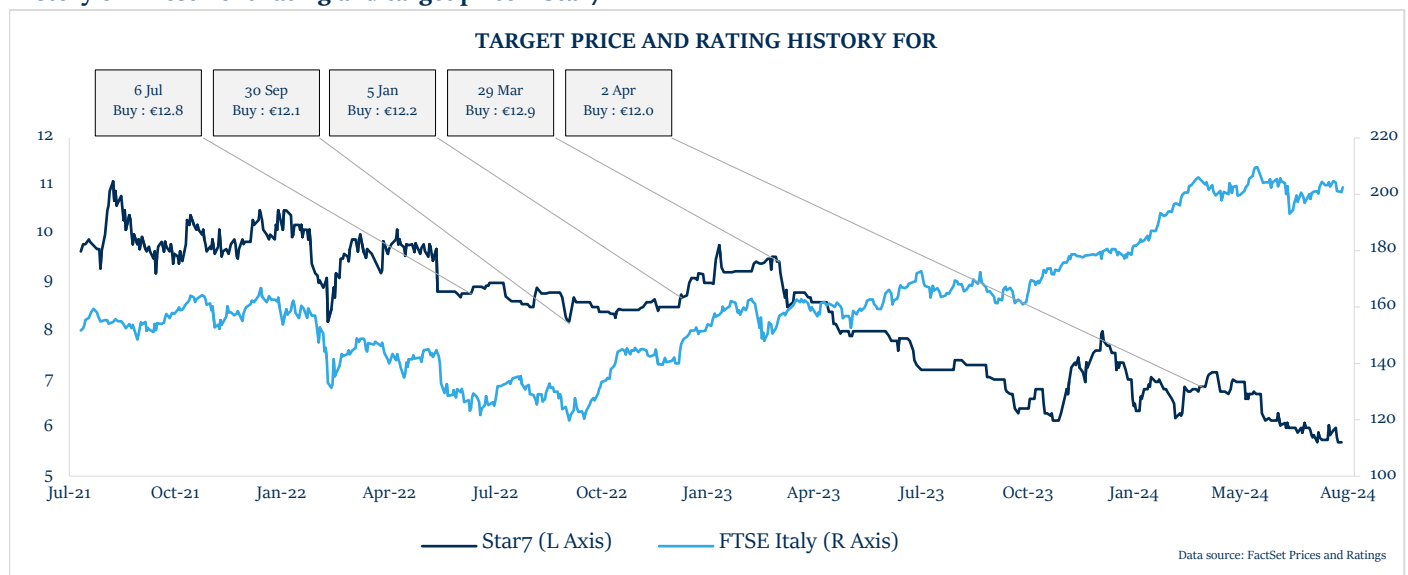
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