

Thursday, 10th October 2024

modefinance Corporate Credit Rating (Solicited) for
STAR7 S.P.A.: B1+ (Upgrade)

modefinance published the Solicited Corporate Credit Rating of STAR7 S.P.A. on the website (<http://cra.modefinance.com/en>) and the rating assigned to the entity is B1+ (Upgrade). The analysis revealed it is a company with adequate economic and financial situation, capable of facing adverse economic conditions in the medium and long term.

STAR7 S.P.A. operates in the business services sector, specializing in product information and content. The Company provides a wide range of integrated solutions, from product and process engineering support to the creation and management of technical and marketing content, including translation services, print-on-demand and virtual experiences. Thanks to these services, STAR7 S.P.A. can assist its customers throughout the entire life cycle of their products, from design to after-sales support. Established in 2000 as the Italian branch of Star Group, over the years the Company has gained independence within its industry, standing out for the wide range and high quality of its services and becoming one of the key players in the European market. Since 2021, the Company has listed its shares on the Italian Stock Exchange.

Key Rating Assumption

The Company presents a satisfactory economic and financial situation, characterized by adequate asset balance and a largely sustainable financial exposure. In addition to the working capital expansion related to the business growth, the operating management has confirmed its ability to generate new liquidity, contributing to maintaining a proper financial balance. In FY23, sales revenues increased by over 25%. However, temporary operational inefficiencies led to a slight decline in operating margins, which did not affect the Company's sound profitability. In the first half of 2024, the Company saw a significant increase in both revenue and operating profits compared to the same period last year, while also reducing its financial exposure. The management of credit lines has been proven to be optimal.

The Governance and control system is aligned with best practices, while the corporate structure is articulated yet consistent with the Group's presence in various international markets.

Compared to the reference peer group, the Company confirms a very high positioning in terms of turnover, resulting one of the main players in the sector. However, its solvency position remains below median levels despite the progressive strengthening of leverage and financial leverage indicators. Profitability is also lower than median values, mainly due to a slight drop in ROE recorded in FY23. The peer group demonstrates adequate levels of solvency and profitability, along with proper management of short-term financial balance.

Sensitivity Analysis

In the following table, the addressing factors, actions or events that could lead to an upgrade or a downgrade are summarized:

| Action | Description of the addressing factors, actions or events |
|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Upgrade | <ul style="list-style-type: none"> • Significant reduction in financial exposure, leading to an improvement in the debt sustainability ratio; • Increase in operating margins resulting in a significant improvement in the ratio EBITDA/ sales revenues and in profitability indicators; • Improvement in the international geopolitical context, which is currently characterized by high tensions and the potential widening of existing conflicts. <p>In the case these conditions are met, the rating could upgrade to A3-.</p> |
| Downgrade | <ul style="list-style-type: none"> • Increase in financial exposure or decrease in profitability, which would cause the PFN/MOL ratio to approach the critical threshold of 5x; • Deterioration in the main indicators of profitability; • The positive outlook for improvement in the economic and financial situation, as indicated in the mid-year report as at 30/06/2024, is not confirmed by the end of the 2024 financial year; • Deterioration in the global geopolitical situation, coupled with poor prospects for improvement in the current Italian and international macroeconomic conditions. <p>If these conditions were to occur, we can expect a downgrade to B1-.</p> |

IMPORTANT

The present Corporate Credit rating is issued by modefinance under EU Regulation 1060/2009 and following amendments.

The present rating is solicited and is based on both private and public information. The rated entity and/or related third parties have provided all private information used. modefinance had access to some accounts and other relevant internal documents of the rated entity and/or related third parties. Solicited and unsolicited ratings issued by modefinance are of comparable quality, as the solicitation status has no effect on methodologies used. More comprehensive information on modefinance Corporate Credit Ratings are available at: <http://cra.modefinance.com/en>

The present Corporate Credit Rating is issued on MORE Methodology 2.0 and Rating Methodology 1.0. A comprehensive description of both methodologies, as well as information on modefinance Rating Scale and Mappings, is available at <http://cra.modefinance.com/en/methodologies>.

For information on historical default rates of modefinance Corporate Credit Ratings please refer to ESMA Central Repository: <https://registers.esma.europa.eu/cerep-publication/> and ESMA European Rating Platform https://registers.esma.europa.eu/publication/searchRegister?core=esma_registers_radar.

modefinance refers to default as a company under bankruptcy, or under liquidation status, or under administration or for which missed payments on a financial obligation are officially recorded.

The quality of the information available on the rated entity and used to determine the present rating was judged by modefinance as satisfactory. Please note that modefinance does not perform any audit activity and is not in a position to guarantee the accuracy of any information used and/or reported in the present document. As such, modefinance can accept no liability whatsoever for actions taken based on any information that may subsequently prove to be incorrect.

The present credit rating was notified to the rated entity in order to identify potential factual errors, as prescribed by the CRA Regulation.

No amendments were applied after the notification process.

The rated entity is not a buyer of ancillary services provided by modefinance.

The rating action issued by modefinance was performed independently. The analysts, members of the rating team involved in the process, modefinance Srl and its members and shareholders do not have any conflicts of interest in relation to the Rated Entity and/or Related Third Parties. If in the future a potential conflict of interest is identified in relation to the persons reported above, modefinance Ratings will provide the appropriate information and if necessary the rating will be withdrawn.

The present Credit Rating is an opinion of the general creditworthiness that modefinance issues on the rated entity, and should be relied upon to a limited degree. The issued rating is subject to an ongoing monitoring until withdrawal.

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