

STAR7

Sector: Industrials

BUY

Price: Eu6.05 - Target: Eu10.50

Quality revenue growth paves the way for improving margins

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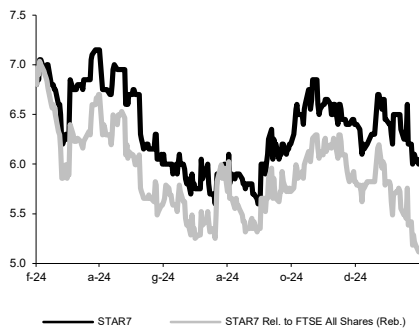
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.5%	0.1%	0.5%

Next Event

 FY24 Results Out March 25th

STAR7 - 12M Performance



Stock Data

Reuters code: STAR7.MI
 Bloomberg code: STAR7 IM

Performance	1M	3M	12M
Absolute	-6.2%	-8.3%	-11.0%
Relative	-13.2%	-17.5%	-30.8%
12M (H/L)	7.15/5.60		
3M Average Volume (th):	2.10		

Shareholder Data

No. of Ord shares (mn):	9
Total no. of shares (mn):	9
Mkt Cap Ord (Eu mn):	54
Total Mkt Cap (Eu mn):	54
Mkt Float - Ord (Eu mn):	14
Mkt Float (in %):	24.9%
Main Shareholder:	
Dante Srl	41.7%

Balance Sheet Data

Book Value (Eu mn):	39
BVPS (Eu):	4.36
P/BV:	1.4
Net Financial Position (Eu mn):	-31
Enterprise Value (Eu mn):	85

STAR7's FY24 preliminary revenue confirms the company's ability to acquire new customers through cross-selling and progressively increase their added value through upselling. We believe that the ~30% YoY growth in the US and Brazil, along with growth in Experience/Product Knowledge and Engineering areas, will boost expansion of STAR7's profitability. The announcement of the official acquisition of CAAR was a mere formality considering that STAR7 has managed CAAR since 2023. The rationalization is complete with no further integration costs expected, while we believe that the deal strengthens STAR7's positioning in the auto, aerospace, electronics and defence sectors, also paving the way for new opportunities, especially in Brazil, which we consider a strategic and growing market for product engineering.

- **FY24 preliminary revenues: on track to improving profitability.** Preliminary FY24 revenues were up 15% YoY to ~Eu120mn (+Eu16mn vs FY23) and in line with our estimates. At constant FX, revenues would have been ~Eu122mn (+17% YoY). The growth was entirely organic and driven by the highest margin geographies (US and Brazil) and business lines (Product Knowledge and Engineering).
- **FY24 expected results.** FY24 results are expected to confirm positive indications released with preliminaries. We expect significant cash generation and improving profitability, with the adj. EBITDA margin at 15.5%. Adj. net profit is estimated at €7.4mn, while net debt is expected to have markedly improved to €30.5mn vs €37.8mn as at YE23. Including as pro-forma the cash-out related to the CAAR acquisition finalized in January 2025, we estimate an adjusted NFP of €35.9mn.
- **CAAR acquisition "officially" completed.** STAR7 has finalized the CAAR acquisition, formalizing the integration begun in 2023 via a leasing agreement. The €5.8mn cash-out was as expected, and no CAAR debt was taken on. The leasing agreements facilitated integration of the business unit during the restructuring of CAAR. The rationalization process is now complete, with no further integration costs expected. CAAR's contribution to STAR7 is expected to grow in the next years, especially in Brazil and Italy.
- **Change in estimates.** The quality of growth seen in preliminary revenues, driven by higher-value business lines, combined with successful integration of CAAR and positive management commentary on cash generation, leads us to confirm our estimates. Minor revenue adjustments are offset by cost reductions, resulting in a slightly higher FY24 adjusted EBITDA margin estimate of 15.5%, with further margin expansion expected in 2025/26. Net profit estimates confirmed.
- **BUY confirmed, TP confirmed at €10.5.** We believe that STAR7 preliminary FY24 revenue figures pave the way for further improvements in profitability. We expect the full release on March 25th to confirm that path. The CAAR acquisition is complete and we see, for the next years, several growth opportunities for STAR7 businesses, particularly in India, through cross-selling, and in Italy by leveraging on generative AI solutions developed. We also consider the Brazilian market as very attractive, especially the automotive industry. We confirm our positive view on the stock with a TP of €10.5 resulting from the simple average of a DCF and a peer valuation. At our TP, STAR7 would be trading at 6.2x/5.1x 2025/26 EV/EBITDA, offering upside of ~70% vs the current price.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	85	106	121	130	139
EBITDA Adj (Eu mn)	15	16	19	20	23
Net Profit Adj (Eu mn)	7	7	7	8	10
EPS New Adj (Eu)	0.699	0.644	0.824	0.927	1.146
EPS Old Adj (Eu)	0.699	0.644	0.819	0.926	1.140
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	7.4	6.8	4.7	4.2	3.4
EV/EBIT Adj	9.8	9.5	6.7	6.1	4.8
P/E Adj	8.7	9.4	7.3	6.5	5.3
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	2.3	2.4	1.6	1.5	1.1

STAR7 – Key Figures

Profit & Loss (Eu mn)	2021A	2022A	2023A	2024E	2025E	2026E
Sales	74	85	106	121	130	139
EBITDA	13	15	15	18	20	23
EBIT	6	8	6	9	10	13
Financial Income (charges)	-2	-2	-3	-4	-3	-3
Associates & Others	-0	0	0	0	0	0
Pre-tax Profit	4	5	3	5	7	10
Taxes	-1	-2	-1	-2	-2	-4
Tax rate	-29.7%	-36.2%	-34.6%	-40.2%	-36.0%	-36.0%
Minorities & Discontinued Operations	0	0	0	0	0	0
Net Profit	3	3	2	3	4	6
EBITDA Adj	13	15	16	19	20	23
EBIT Adj	7	12	11	13	14	17
Net Profit Adj	4	7	7	7	8	10
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	0.333	0.482	0.701
EPS Adj f.d	0.430	0.699	0.644	0.824	0.927	1.146
BVPS f.d	2.834	3.277	3.542	3.874	4.357	5.058
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	10	11	10	12	15	17
Change in NWC	2	-9	-6	-1	-5	-7
Capital Expenditure	-6	-4	-9	-5	-5	-5
Other Cash Items	0	0	0	0	0	0
Free Cash Flow (FCF)	7	-2	-5	6	5	6
Acquisitions, Divestments & Other Items	-34	-1	2	1	-5	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	7	-0	6
Balance Sheet (Eu mn)	2021A	2022A	2023A	2024E	2025E	2026E
Total Fixed Assets	48	47	48	43	32	26
Net Working Capital	14	24	29	31	35	42
Long term Liabilities	-4	-6	-7	-8	2	2
Net Capital Employed	57	65	70	65	70	70
Net Cash (Debt)	-32	-35	-38	-30	-31	-25
Group Equity	26	29	32	35	39	46
Minorities	0	0	0	0	0	0
Net Equity	26	29	32	35	39	46
Enterprise Value (Eu mn)	2021A	2022A	2023A	2024E	2025E	2026E
Average Mkt Cap	80	80	71	58	54	54
Adjustments (Associate & Minorities)	0	0	0	0	0	0
Net Cash (Debt)	-32	-35	-38	-30	-31	-25
Enterprise Value	112	115	109	88	85	79
Ratios (%)	2021A	2022A	2023A	2024E	2025E	2026E
EBITDA Adj Margin	17.2%	18.2%	15.2%	15.4%	15.5%	16.7%
EBIT Adj Margin	8.9%	13.7%	10.8%	10.9%	10.7%	11.9%
Gearing - Debt/Equity	125.1%	119.0%	118.5%	87.4%	77.9%	54.6%
Interest Cover on EBIT	3.4	3.3	2.2	2.4	3.2	4.7
Net Debt/EBITDA Adj	2.5	2.3	2.4	1.6	1.5	1.1
ROACE*	13.0%	12.6%	9.5%	12.6%	14.6%	17.9%
ROE*	21.2%	26.9%	22.2%	22.2%	22.5%	24.3%
EV/CE	2.6	1.9	1.6	1.3	1.3	1.1
EV/Sales	1.5	1.3	1.0	0.7	0.7	0.6
EV/EBITDA Adj	8.8	7.4	6.8	4.7	4.2	3.4
EV/EBIT Adj	16.9	9.8	9.5	6.7	6.1	4.8
Free Cash Flow Yield	12.1%	-3.7%	-8.3%	11.5%	9.8%	10.4%
Growth Rates (%)	2021A	2022A	2023A	2024E	2025E	2026E
Sales	66.4%	14.5%	24.3%	14.4%	7.4%	7.3%
EBITDA Adj	192.0%	20.8%	3.6%	16.2%	7.7%	15.9%
EBIT Adj	69.3%	75.6%	-1.7%	15.4%	5.1%	18.9%
Net Profit Adj	25.7%	91.4%	-7.8%	8.6%	12.5%	23.6%
EPS Adj	25.7%	62.7%	-7.9%	27.9%	12.5%	23.6%
DPS						

*Excluding extraordinary items

Source: Intermonte SIM estimates

FY24 Preliminary Results

FY24 Preliminary Revenue

Preliminary FY24 revenue figures confirmed the strong growth trend of STAR7's business. Revenues were up 15% YoY to ~€120mn (+€16mn vs FY23) and in line with our estimates. At constant exchange rates, revenues would have been ~€122mn (+17% YoY). Growth was fully organic and driven by the highest margin geographies and business lines: the US and Brazil as overseas markets and Product Knowledge and Engineering as business areas.

Management disclosed in a statement that revenue growth was also accompanied by significant cash generation thanks to careful management of working capital and the company's ability to transform sales into operating cash. We believe that this highlights the sustainability of growth over time, and also STAR7's ability to improve its capital strength while continuing its development path.

We appreciate STAR7's revenue growth path, considering that it was 100% organic, which confirms STAR7's ability to acquire new customers through cross-selling and increase their value for the company through upselling.

We estimate that the group's two largest customers, operating in the automotive and technology sectors, were the main drivers of the YoY revenue growth, making an aggregate contribution of ~€10/12mn to the total increase of €16mn.

Looking at the geographical breakdown, we consider the ~30% growth in the US and Brazil to be very positive, confirming the success of STAR7's strategy of increasing internationalisation. In terms of business areas, we believe that growth in Experience/Product Knowledge, Engineering and Global Content will support the expansion of STAR7's EBITDA margin. We believe that growth in Italy was driven by tier 1 clients in the defence and premium automotive sectors; in Brazil, growth should have been mainly in the automotive sector, while in the US we believe the strong growth was linked to the new contract started in 2024 with STAR7's largest client (19% of revenues), through which STAR7 started operating in the Indian market in the Global Content business line.

STAR7 - FY24 Preliminary Revenues

(Eu mn)	FY23A	FY24 Prel.	YoY	FY24E	FY24 Prel. vs E
<i>by service line</i>					
Engineering	20.5	24.0	17.3%	27.0	(11.0%)
<i>% on total revenues</i>	20%	20%		22%	
Experience + Product Knowledge	30.3	38.4	26.8%	41.8	(8.2%)
<i>% on total revenues</i>	29%	32%		34%	
Global Content	37.5	42.0	12.1%	42.1	(0.1%)
<i>% on total revenues</i>	36%	35%		34%	
Printing	16.2	15.6	(3.6%)	12.5	24.9%
<i>% on total revenues</i>	16%	13%		10%	
<i>by region</i>					
Italy	55.5	58.8	5.9%	60.2	(2.3%)
<i>% on total revenues</i>	53%	49%		49%	
US	23.8	31.2	31.1%	32.3	(3.4%)
<i>% on total revenues</i>	23%	26%		26%	
Brazil	17.9	22.8	27.7%	24.8	(8.0%)
<i>% on total revenues</i>	17%	19%		20%	
RoW	7.2	7.2	(0.1%)	6.0	19.1%
<i>% on total revenues</i>	7%	6%		5%	
Net Revenues	104.4	120.0	14.9%	123.3	(2.7%)

Source: Intermonte SIM; Company Data

FY24 Results Preview

Income Statement

We expect FY24 reported EBITDA at €17.9mn (+23% YoY), reflecting efficiency initiatives on operating and personnel costs. Excluding extraordinary restructuring costs related to the CAAR Group business unit estimated at ~€0.7mn (€0.1mn in 2H24 after €0.6mn in 1H24), FY24 adjusted EBITDA is projected at €18.6mn (+16% YoY). In terms of margins, we estimate an expansion of 90bps in FY24, from 14.0% to 14.9%, while at adjusted level, the EBITDA margin expansion is estimated at ~20bps, from 15.3% to 15.5%. This evolution reflects the high-quality revenue mix and the cost rationalization after completion of the integration of CAAR, which we believe paves the way to higher operating leverage.

We believe that the estimated profitability improvement would be mainly related to revenue growth in high-margin business lines (Engineering / Product Knowledge) and geographies (Brazil / United States). At the same time, we believe that in coming periods, the margin can continue to expand, leveraging on efficiency opportunities in Italy and on very promising Brazilian market dynamics.

Group reported EBIT is estimated at €8.5mn for FY24 (+34% YoY vs €6.4mn in FY23), while at the adjusted level, EBIT is estimated at €13.2mn (+15% YoY). At the bottom line, we expect that STAR7 will report net profit of €3.0mn for FY24 (+34% YoY). The M&A transactions carried out in past years generated net goodwill of €28mn as at 30 June 2024, resulting in €4mn amortization in FY24. Gross of this effect, and excluding extraordinary costs related to the integration of CAAR, adjusted net profit in FY24 is estimated at €7.4mn (+9% YoY).

STAR7 - FY24 Expected Results - Income Statement

(Eu mn)	FY23A	FY24E	ΔYoY	YoY %
Total Revenues	105.6	120.8	15.2	14%
Operating Costs	(47.8)	(53.3)	(5.5)	12%
Personnel Costs	(43.2)	(49.6)	(6.4)	15%
Total Costs	(91.0)	(102.9)	(11.9)	13%
EBITDA Reported	14.6	17.9	3.3	23%
<i>EBITDA margin reported</i>	14.0%	14.9%		
CAAR Integration costs	1.4	0.7	(0.7)	(50%)
EBITDA Adjusted	16.0	18.6	2.6	16%
<i>EBITDA margin adj.</i>	15.3%	15.5%		
D&A	(8.2)	(9.4)	(1.2)	14%
EBIT Reported	6.4	8.5	2.1	34%
Goodwill Amortization	3.7	4.0	0.3	9%
EBIT Adjusted	11.4	13.2	1.8	15%
Net Financial Income	(3.0)	(3.5)	(0.5)	18%
Pre-tax Profit	3.4	5.0	1.6	47%
Income taxes	(1.2)	(2.0)	(0.8)	71%
Net Profit	2.2	3.0	0.8	34%
Total Adjustments (net of taxes)	4.6	4.4	(0.2)	(4%)
<i>CAAR Integration costs</i>	0.9	0.4	(0.5)	(54%)
<i>Goodwill Amortization</i>	3.7	4.0	0.3	9%
Adjusted Net Profit	6.8	7.4	0.6	9%

Source: Intermonte SIM

Balance Sheet / Net Financial Position

We estimate net debt as at the end of December 2024 of €30.5mn, markedly improving vs €37.8mn as at YE23. This evolution confirms the effectiveness of the strategies implemented by management to improve working capital (lengthening of supplier payment periods for a better alignment with customers' collection periods). Including as pro-forma the cash-out related to the CAAR acquisition finalized in January 2025, we estimate an adjusted NFP of €35.9mn as at the end of 2024. The NFP-to-LTM adj. EBITDA ratio is expected to have decreased from 2.4x (FY2023) to 1.6x as at the end of December 2024 (1.9x including the CAAR cash-out).

STAR7 - FY24 Expected Results - Balance Sheet

(Eu mn)	1H23A	FY23A	1H24A	FY24E
Non-current assets	47.6	47.7	45.4	43.1
Net Working Capital	22.1	29.3	23.5	30.7
Non-current liabilities	(6.1)	(7.4)	(7.7)	(8.4)
Net Capital Employed	63.6	69.6	61.2	65.3
Shareholders' Equity	30.0	31.9	31.4	34.9
Net Financial Position	(33.6)	(37.8)	(29.8)	(30.5)
Net Equity & NFP	63.6	69.6	61.2	65.3
<i>NFP / LTM EBITDA adj.</i>	<i>1.4x</i>	<i>2.4x</i>	<i>1.1x</i>	<i>1.6x</i>
Adj. Net Financial Position*				(35.9)
<i>Adj. NFP / LTM EBITDA adj.*</i>				<i>1.9x</i>

* Including the cash-out for the acquisition of CAAR finalised in Jan. 2025
Source: Intermonte SIM

Update on CAAR Acquisition

After a 2023 heavily impacted by extraordinary costs related to the CAAR (Consulting Automotive Aerospace Railway) deal that had interrupted STAR7's margin growth trajectory, the acquisition of the division was officially completed in January 2025. At the same time, the rationalisation and integration of the division begun in 2023 was finally completed.

On 13 January 2025, STAR7 completed the acquisition of CAAR, which was in compulsory winding-up proceedings, formalizing the integration process that got underway in January 2023 when it acquired the two divisions through a leasing agreement.

The cash-out was in line with estimates at €5.8mn and the financial debts related to the entities purchased were not acquired. The acquisition of a further 10% stake in CAAR do Brasil, 66% of which STAR7 already controls, for R\$3.2mn (~€520k at the current exchange rate), is currently being finalised.

The CAAR Group was founded in 2009. Leveraging solid know-how in the Automotive field, it has developed a wide range of engineering solutions over the years, mainly process related, for the aerospace & defence, railway, agriculture, energy, logistics, infrastructure and electronics sectors. These engineering services offered have been developed not only in Italy, but in the rest of Europe and especially in Brazil.

In December 2022, STAR7 signed a lease agreement with 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 subsidiary STI. The contracts were effective from 1 January 2023.

During the last few years, CAAR faced a crisis that put the smooth continuation of business operations at risk; the lease agreements signed were also aimed at the sale of the Business Units to STAR7 in the context of the CAAR restructuring operation. The leases were initially set to run for six months; they were automatically renewed for another six as the transfer of the Business Unit to STAR7 did not take place during the first six months of 2023.

During 2023 and early 2024, STAR7 implemented a rationalization of CAAR's business, which is now complete. In 1H24, we saw the latest impacts of that extraordinary integration cost, to the tune of ~€0.6mn in terms of EBITDA.

The announcement of the definitive purchase was expected, and is a formal step in the STAR7 strategy. We believe that the acquisition strengthens STAR7's positioning in the auto, aerospace, electronics and defence sectors. Direct management of these divisions under a leasing agreement since 2023 has enabled STAR7 to gradually integrate operations and expand client bases. The rationalization process has been completed and we do not expect further costs to have been booked in 2H24, nor do we envisage any impact from the integration in the coming months. In contrast, we expect CAAR's contribution to remain positive and grow, especially in Brazil, which we consider a strategic growing market for product engineering. Furthermore, we expect a growing contribution in Italy thanks to existing contracts in both the civil and defence sectors.

Change in Estimates

Preliminary FY24 revenues were overall in line with our estimates, confirming our expectations for a sustained growth path. We also welcome the quality of the growth that was driven by higher value-added business lines and geographies. This characteristic, together with the completion of the CAAR integration process and the positive qualitative management comments about rationalization of working capital and cash generation, prompt us to confirm our estimates overall, with fine-tuning of revenues only partially offsetting a reduction in cost estimates.

We are aligning our FY24 revenue estimates to the preliminary data provided, setting our revenue forecasts to €121mn/€130mn/€139mn for 2024/2025/2026. We confirm the EBITDA margin expansionary path, estimating an adjusted EBITDA margin at 15.5% in FY24 (vs. the previous 15.3%) and accelerating in 2025/2026 to 15.6%/16.8% respectively thanks to continuing cost rationalization, offshoring, and full realisation of CAAR efficiencies. At the bottom line, we confirm our FY24/25/26 estimate for net profit.

STAR7 - Income Statement Change in estimates

(Eu mn)	FY24E New	FY25E New	FY26E New	FY24E Old	FY25E Old	FY26E Old	FY24E % chg	FY25E % chg	FY26E % chg
Net Revenues	120.0	128.7	138.2	123.3	132.4	142.1	(2.7%)	(2.8%)	(2.8%)
Other Revenues	0.8	1.0	1.0	0.8	1.0	1.0	0.0%	0.0%	0.0%
Total Revenues	120.8	129.7	139.2	124.1	133.4	143.1	(2.7%)	(2.8%)	(2.8%)
Operating Costs	(53.3)	(58.1)	(62.0)	(54.8)	(59.8)	(63.8)	(2.9%)	(2.9%)	(2.9%)
Personnel Costs	(49.6)	(51.6)	(53.9)	(51.1)	(53.1)	(55.5)	(2.8%)	(2.8%)	(2.8%)
Total Costs	(102.9)	(109.7)	(116.0)	(105.9)	(112.9)	(119.3)	(2.8%)	(2.8%)	(2.8%)
EBITDA Reported	17.9	20.0	23.2	18.2	20.5	23.8	(1.7%)	(2.4%)	(2.4%)
<i>Ebitda margin reported</i>	<i>14.9%</i>	<i>15.6%</i>	<i>16.8%</i>	<i>14.8%</i>	<i>15.5%</i>	<i>16.7%</i>			
EBITDA Adjusted	18.6	20.0	23.2	18.9	20.5	23.8	(1.7%)	(2.4%)	(2.4%)
<i>Ebitda margin adj.</i>	<i>15.5%</i>	<i>15.6%</i>	<i>16.8%</i>	<i>15.3%</i>	<i>15.5%</i>	<i>16.7%</i>			
D&A	(9.4)	(10.2)	(10.7)	(9.8)	(10.7)	(11.4)	(3.9%)	(4.8%)	(5.6%)
EBIT Reported	8.5	9.9	12.5	8.4	9.9	12.4	0.8%	0.1%	0.6%
<i>Ebit margin reported</i>	<i>7.1%</i>	<i>7.7%</i>	<i>9.1%</i>	<i>6.8%</i>	<i>7.5%</i>	<i>8.7%</i>			
EBIT Adjusted	13.2	13.9	16.5	13.1	13.9	16.4	0.5%	0.1%	0.5%
<i>Ebit margin adj.</i>	<i>11.0%</i>	<i>10.8%</i>	<i>11.9%</i>	<i>10.7%</i>	<i>10.5%</i>	<i>11.6%</i>			
Net Financial Income	(3.5)	(3.1)	(2.6)	(3.5)	(3.1)	(2.6)	0.0%	0.0%	0.0%
Pre-tax profit	5.0	6.8	9.9	4.9	6.8	9.8	1.4%	0.2%	0.8%
Income taxes	(2.0)	(2.4)	(3.5)	(2.0)	(2.4)	(3.5)	1.4%	0.2%	0.8%
Net Profit	3.0	4.3	6.3	3.0	4.3	6.3	1.4%	0.2%	0.8%
Adjusted Net Profit	7.4	8.3	10.3	7.4	8.3	10.3	0.5%	0.1%	0.5%

Source: Intermonte SIM

Update on Valuation and Investment Conclusion

We have updated our valuation, based on a DCF and peer comparison, mainly to take into account the minor revisions to our estimates as detailed above and the one-year rollover of our DCF model.

The updated valuation yields a fair value of €10.5ps. Therefore, we confirm our current TP of €10.5. At our TP, STAR7 would be trading at 6.2x/5.1x 2025/26 EV/EBITDA, offering upside of ~70% vs the current price.

Star7 - Valuation Recap

(Eu)	
DCF	10.6
Multiples	10.4
Fair Value ps	10.5
<i>Premium / discount (%)</i>	<i>0%</i>
Target price	10.5

Source: Intermonte SIM

We believe that STAR7's share performance was particularly penalised during 2023 and 2024 due to the impact of the CAAR rationalisation and integration process on the profitability growth path.

Indications emerging from FY24 preliminary revenues, which we believe should be fully confirmed during the extended release out on March 25th, have confirmed the definite upturn of business growth and more importantly, the improving profitability expansion path.

With the official conclusion of the CAAR acquisition in January 2025, we believe that STAR7 is fully equipped to benefit from new opportunities.

From a business perspective, we see the expansion into India, with the first subsidiary already operating in the Global Content segment, as a unique opportunity in a market rich in opportunities. We also foresee a further increase in revenues and margins thanks to the new opportunities offered by generative AI, which represent a perfectly replicable business for STAR7 in terms of services for customers. We believe that opportunities for efficiency are still to be seized, especially at the Italian business, where we see possibilities for business expansion, especially in the defence sector. At international level, we consider the dynamics of the Brazilian automotive market, which are the mirror image of the difficulties in the European market, to be particularly interesting and strongly attractive for STAR7's business proposition.

We believe that in 2025, the focus can still be on increasing margins and cash generation to fully prepare the Group for acquisition opportunities in 2026, while maintaining high margins and solid leverage.

STAR7 at a glance

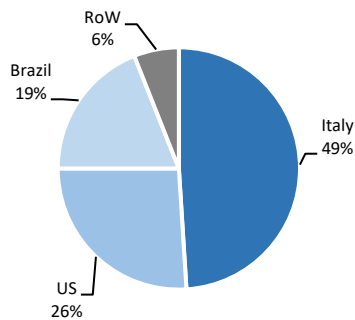
Company description

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 Integrale⁷ model, which enables 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

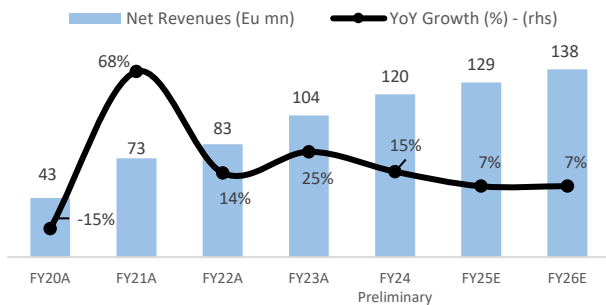
- Full-range service provider
- Cross-selling opportunities due to the global view of the information development process
- Large, diversified and well-established international customer base providing revenue visibility
- Growth opportunities through use of innovative digital technologies
- Diversified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

STAR7: Revenue Breakdown by Geography (FY24 Preliminary)



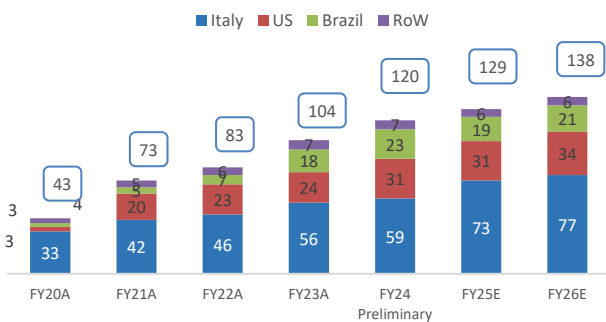
Source: Intermonte SIM

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



Source: Intermonte SIM

STAR7: Evolution of Revenue Breakdown by Geography



Source: Intermonte SIM

Management

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

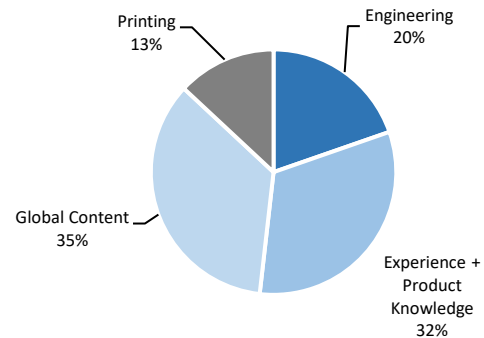
Shareholding Structure

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

Weaknesses/Threats

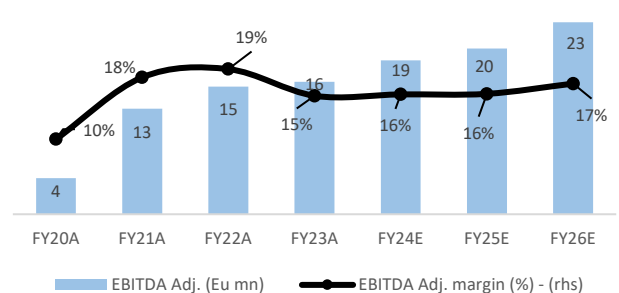
- Customer concentration, with the top three clients accounting for almost 40% of recurring total revenues
- Contract renewal risks with key customers
- Risk of inefficient integration of CAAR
- Risk of disruption of professional relationships with senior & specialized figures
- Risks associated with defending intellectual property rights
- Risks associated with contracting procedures

STAR7: Revenue Breakdown by Service (FY24 Preliminary)



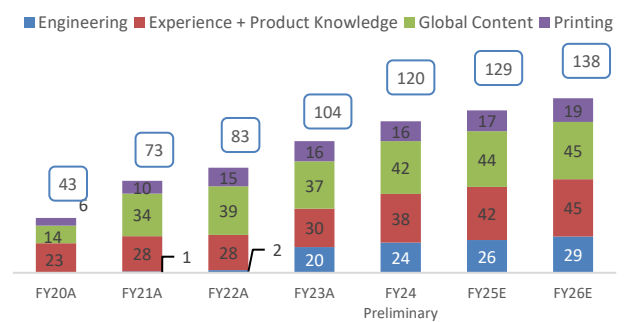
Source: Intermonte SIM

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



Source: Intermonte SIM

STAR7: Evolution of Revenue Breakdown by Service



Source: Intermonte SIM

DETAILS ON STOCKS RECOMMENDATION			
Stock NAME	STAR7		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	10.50	Previous Target (Eu):	10.50
Current Price (Eu):	6.05	Previous Price (Eu):	6.20
Date of report:	12/02/2025	Date of last report:	30/09/2024

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- 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.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

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;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

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

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As at 31 December 2024 Intermonte's Research Department covered 132 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	31.34 %
OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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BUY:	50.70 %
OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Intermonte acts as ECM advisor to Banca Ifis in the offer promoted on illimity Bank

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Emittente	%	Long/Short

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