

EQUITY RESEARCH

STAR7 RESULTS REVIEW

BUY
TP 12.4€
Up/Downside: 89%

Star7 reaffirms its strength

Star7 released excellent results for 2024 yesterday, highlighting an organic growth of +14.8% and an improvement in the EBITDA margin to 15.1%. The strong cash generation, with a free cash flow of €10m, enabled the company to significantly reduce its net debt.

Yesterday, Star7 released its results for the 2024 fiscal year, showing a cash generation slightly above our estimates.

As a reminder, the company had already disclosed its preliminary revenues in February, announcing consolidated sales of €119.8m (+14.8% vs. 2023), primarily driven by strong growth in the US and Brazil, supported by the integration of CAAR Industries, as well as the performance of the Product Knowledge and Engineering business lines. For the first time, the company reported that its international revenue exceeded the domestic market, reaching 51.7%.

In terms of profitability, Star7 recorded an EBITDA of €18.1m (+23.7% vs. 2023), with a margin of 15.1%, benefiting from cost rationalization and the completed integration of CAAR Industries, which had weighed on 2023 results.

As of December 31, 2024, net financial debt stood at -€27.8m (vs. -€37.8m at the end of 2023), marking an improvement of €-10m. This progress was made possible by excellent working capital management (despite a 14.8% increase in revenues), which decreased by €-6.6m. As a result, the company reached a Net Debt/EBITDA ratio of 1.54x (or 1.81x when including CAAR and STI integration costs).

Star7 announced that 2025 will be a transition year, with more stable growth aimed at consolidating achieved margins and preparing for strong expansion in 2026. This growth will be driven by an M&A strategy in the agricultural technology sector and the deployment of its newly launched 7AI business line. The latter is expected to be a key growth driver, as the company aims to integrate generative AI across all its business units.

Star7 confirms a solid growth trajectory, slightly ahead of our estimates. The company is well-positioned to capitalize on fast-growing trends such as AI, which will play a key role in the future, as well as the Aerospace & Defense sector, where it plans to increase its exposure in 2025.

We maintain our BUY recommendation on the stock, with a target price of €12.4€.

TP ICAP Midcap Estimates	12/23	12/24e	12/25e	12/26e	Valuation Ratio	12/24e	12/25e	12/26e
Sales (m €)	105,6	121.1	127.7	135,0	EV/Sales	0.8	0.7	0.6
Current Op Inc (m €)	11.4	14.1	16.3	17.9	EV/EBITDA	4.9	4.0	3.4
Current op. Margin (%)	10.8	11.6	12.8	13.2	EV/EBIT	6.5	5.2	4.3
EPS (€)	0.71	0.87	1.11	1.24	PE	7.5	5.9	5.3
DPS (€)	0.00	0.00	0.00	0.00	Source: TPICAP Midcap			
Yield (%)	0.0	0.0	0.0	0.0				
FCF (m €)	-3.2	10.2	7.0	7.7				

Key data

Price (€)	6.6
Industry	Corporate Services
Ticker	STAR7-IT
Shares Out (m)	9.000
Market Cap (m €)	58.9
Average trading volumes (k shares / day)	4.267

Source: FactSet

Ownership (%)

Dante Srl	41.7
Star Ag	33.4
ANIMA SGR SpA	9.5
Free float	15.4

Source: TPICAP Midcap estimates

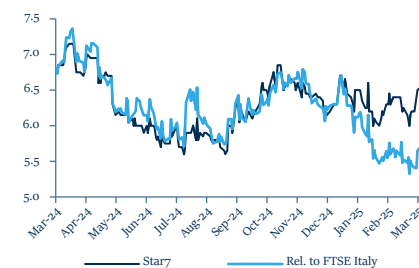
EPS (€)

	12/24e	12/25e	12/26e
Estimates	0.87	1.11	1.24
Change vs previous estimates (%)	0.00	0.00	0.00

Source: TPICAP Midcap estimates

Performance (%)

	1D	1M	YTD
Price Perf	-2.2	2.3	4.0
Rel FTSE Italy	-1.5	2.6	-9.4



Source: FactSet

Analyst

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FINANCIAL DATA

Income Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Sales	60.0	85.0	105.6	121.1	127.7	135.0
Changes (%)	34.6	41.6	24.3	14.7	5.4	5.7
Gross profit	56.3	79.8	99.9	115.4	122.0	129.3
% of Sales	93.7	93.9	94.6	95.2	95.5	95.7
EBITDA	8.3	15.5	16.0	18.8	21.0	22.7
% of Sales	13.8	18.3	15.2	15.5	16.4	16.8
Current operating profit	5.2	11.8	11.4	14.1	16.3	17.9
% of Sales	8.6	13.9	10.8	11.6	12.8	13.2
Non-recurring items	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
EBIT	5.1	11.6	11.4	14.0	16.3	17.8
Net financial result	-0.6	-2.3	-3.0	-3.3	-2.9	-2.8
Income Tax	-0.9	-1.9	-1.2	-2.3	-3.0	-3.6
Tax rate (%)	19.8	20.8	14.0	21.5	22.7	24.1
Net profit, group share	3.3	7.1	5.4	7.7	8.9	9.9
EPS	0.43	0.92	0.71	0.87	1.11	1.24
Financial Statement	12/21	12/22	12/23	12/24e	12/25e	12/26e
Goodwill	35.5	33.6	29.7	30.1	25.9	22.0
Tangible and intangible assets	12.0	12.5	17.7	19.5	20.2	20.8
Right of Use	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.3	0.8	0.6	0.6	0.6	0.6
Working capital	15.3	24.9	31.2	28.3	30.5	32.7
Other Assets	0.0	0.0	0.0	0.0	0.0	0.0
Assets	63.1	71.8	79.2	78.5	77.1	76.1
Shareholders equity group	24.6	28.3	29.6	32.3	36.8	42.3
Minorities	0.9	1.2	2.3	3.3	4.4	5.7
LT & ST provisions and others	5.7	7.2	9.3	10.2	10.2	10.2
Net debt	31.9	35.1	38.0	32.7	25.7	18.0
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities	63.1	71.8	79.2	78.5	77.1	76.1
Net debt excl. IFRS 16	31.9	35.1	38.0	32.7	25.7	18.0
Gearing net	1.3	1.2	1.2	0.9	0.6	0.4
Leverage	3.9	2.3	2.4	1.7	1.2	0.8
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	12.5	13.3	14.3	15.6
Δ WCR	2.2	-9.6	-6.0	2.9	-2.2	-2.2
Operating cash flow	9.9	2.8	6.5	16.2	12.1	13.4
Net capex	-6.1	-4.2	-9.7	-6.0	-5.1	-5.6
FCF	3.8	-1.4	-3.2	10.2	7.0	7.7
Acquisitions/Disposals of subsidiaries	-31.6	-2.2	0.0	-4.9	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	-6.3	6.6	-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	-9.5	11.9	4.2	4.9
ROA (%)	5.7%	10.3%	7.3%	11.2%	13.0%	14.6%
ROE (%)	14.6%	26.2%	19.7%	27.1%	27.3%	26.3%

DISCLAIMER

Analyst certifications

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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.

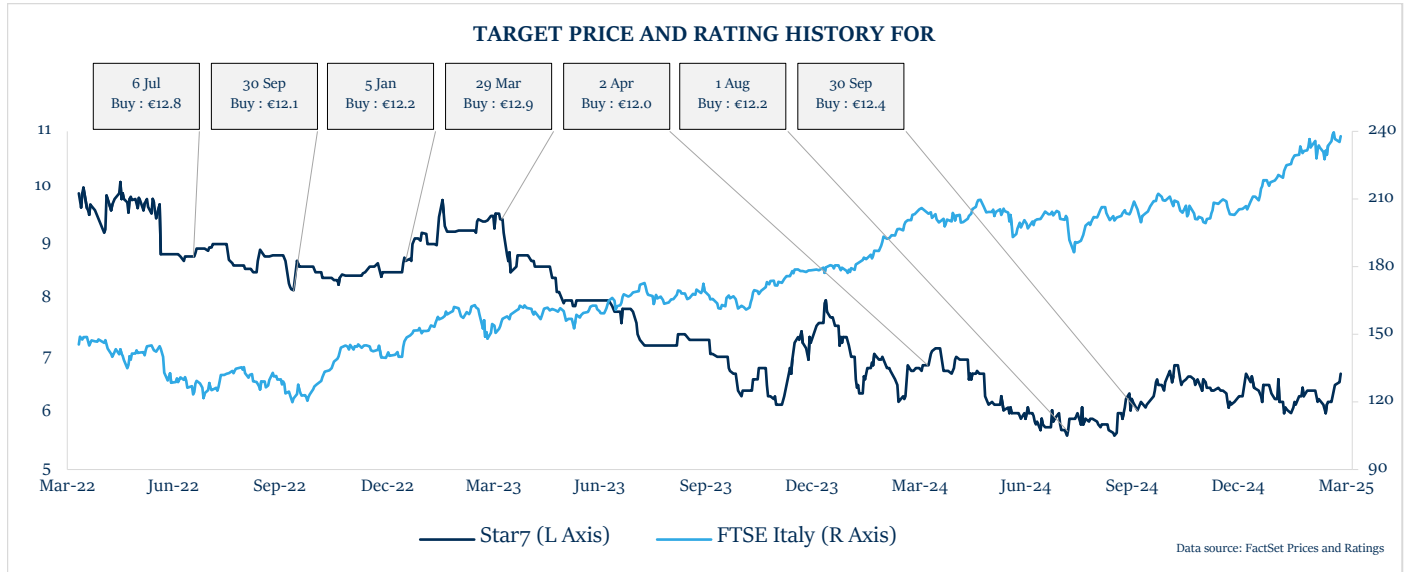
Conflict of Interests between TP ICAP Midcap and the Issuer

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

J. Sponsored research or other issuer-related revenues represent more than 5% of the external provider's revenues: Star7

History of investment rating and target price – Star7



Historical recommendations and target price (-1Y)

Date	Analyst	Old Target Price	New Target Price	Closing Price	Old Recommendation	New Recommendation
26 Mar 25 - 08:07:49	Alessio Olmi	€ 12.40	€ 12.40	€ 6.70	Achat	Buy
11 Feb 25 - 08:18:32	Alessio Olmi	€ 12.40	€ 12.40	€ 6.00	Achat	Buy
30 Sep 24 - 08:24:28	Davide Longo	€ 12.20	€ 12.40	€ 6.20	Achat	Buy
01 Aug 24 - 08:10:32	Davide Longo	€ 12.00	€ 12.50	€ 5.60	Achat	Buy
26 May 24 - 23:10:09	Davide Longo	€ 12.00	€ 12.00	€ 6.15	Achat	Buy
02 Apr 24 - 08:33:26	Davide Longo	€ 12.90	€ 12.00	€ 6.85	Achat	Buy

Distribution of Investment Ratings

Rating	Recommendation Universe*	Portion of these provided with investment banking services**
Buy	79%	60%
Hold	15%	69%
Sell	4%	17%
Under review	2%	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>.

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