

# STAR7

Sector: Industrials

# BUY

Price: Eu6.30 - Target: Eu10.10

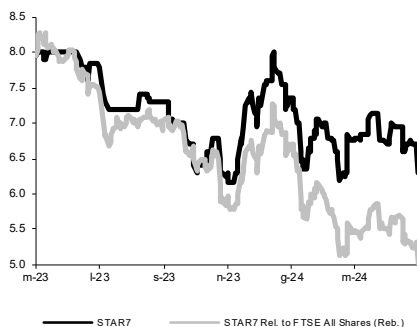
## Navigating a Full-Service Model for Product Information Lifecycle

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### Stock Rating

**Rating:** BUY (New Coverage)  
**Target Price (Eu):** 10.10 (New Coverage)

### STAR7 - 12M Performance



### Stock Data

Reuters code: STAR7 MI  
 Bloomberg code: STAR7 IM

Performance	1M	3M	12M
Absolute	-6.7%	-9.4%	-22.7%
Relative	-8.8%	-17.2%	-46.8%
12M (H/L)	8.00/6.15		
3M Average Volume (th):	2.12		

### Shareholder Data

No. of Ord shares (mn):	9
Total no. of shares (mn):	9
Mkt Cap Ord (Eu mn):	57
Total Mkt Cap (Eu mn):	57
Mkt Float - Ord (Eu mn):	14
Mkt Float (in %):	24.9%
Main Shareholder:	
Dante Srl	41.7%

### Balance Sheet Data

Book Value (Eu mn):	35
BVPS (Eu):	3.91
P/BV:	1.6
Net Financial Position (Eu mn):	-38
Enterprise Value (Eu mn):	94

- A full-range service provider with a global and integrated vision of the product information life cycle.** STAR7 is a leading global provider of product information services with a presence in over 15 countries. They offer a one-stop-shop for managing a product's information lifecycle, ideal for complex industries like technology, automotive and aerospace. This expertise with a loyal customer base allows visibility on revenue and identifying cross-selling opportunities, solidifying competitive position.
- Integrale<sup>7</sup> one-stop-shop for product information.** STAR7's *Integrale<sup>7</sup>* model offers a single point of contact for all product information needs combining expertise from five service lines to streamline information creation and offer clients comprehensive solutions across the entire product lifecycle. This unique approach positions the company as a leader in integrated product information management.
- Resilient FY23 Results.** Revenue grew 25% YoY to €104mn, driven by both organic growth and the contribution of CAAR business unit. In terms of profitability, Reported EBITDA dipped 5.4% to €14.6mn mainly due to extraordinary charges related to the ongoing integration of CAAR. These costs, invested to unlock industrial efficiencies in the acquired business unit, negatively impacted margins, with the Adjusted EBITDA margin down from 18.6% to 15.3%. We expect profitability to recover as soon as full integration of CAAR is completed.
- Business expansion supporting revenue growth and improving profitability.** We expect net revenues of €138mn in 2026, with Full-Service contracts accounting for ~70% of the total and Single-Service contracts the remaining ~30%, in line with management's indications. We expect business growth through further internationalization and the contribution of the CAAR acquisition with related exploitation of synergies to improve margins, enabling to achieve 2026 EBITDA of €22.3mn with a margin of 16.2%, up from 14.0% in FY23. In terms of cash flow, we expect the company to report increasingly positive figures in 2024/25/26 and achieve a net debt of €34mn in YE26.
- Initiating coverage with BUY, TP Eu10.1.** We consider the current share price an attractive opportunity because we expect the group to show the benefits of its sound business model and to get the synergies from the integration with CAAR. In light of resilient FY23 results, extraordinary costs now overcome, and growth prospects in terms of margins once again encouraging, we believe the stock's growth trend can resume. STAR7 is trading at a discount to peers, with an EV/EBITDA ratio of 5.2x/4.7x/4.1x for 2024E/25E/26E, a ~30% discount vs the average of our selected peer cluster. We initiate coverage with a BUY rating and a TP of Eu10.1, resulting from the simple average of a DCF and a peer valuation. We believe a multiple rerating should be on the cards, with a recovery in margins already in 2024 and steadily increasing over the next few years together with clearly visible cash generation.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	85	106	119	129	139
EBITDA Adj (Eu mn)	15	16	18	20	22
Net Profit Adj (Eu mn)	6	6	6	7	8
EPS New Adj (Eu )	0.699	0.644	0.660	0.741	0.899
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	7.4	6.8	5.2	4.7	4.0
EV/EBIT Adj	9.8	9.5	8.0	7.2	6.1
P/E Adj	9.0	9.8	9.5	8.5	7.0
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	2.3	2.4	2.1	1.8	1.5

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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.

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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.

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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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OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emitente	%	Long/Short
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