

STAR7

Sector: *Industrials*
BUY

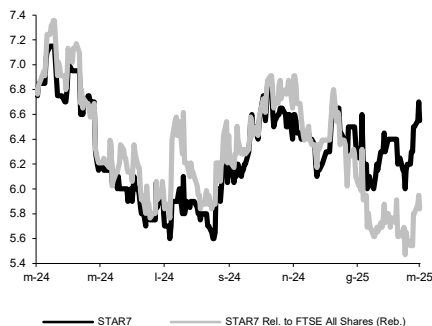
Price: Eu6.55 - Target: Eu11.00

Gen-AI to Cement ‘*International System Integrator*’ Positioning

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 10.50 to 11.00		
	2025E	2026E	2027E
Chg in Adj EPS	2.9%	-0.4%	

STAR7 - 12M Performance



Stock Data			
Reuters code:	STAR7.MI		
Bloomberg code:	STAR7 IM		
Performance	1M	3M	12M
Absolute	2.3%	5.6%	-3.7%
Relative	2.8%	-9.4%	-15.7%
12M (H/L)	7.15/5.60		
3M Average Volume (th):	1.35		

Shareholder Data	
No. of Ord shares (mn):	9
Total no. of shares (mn):	9
Mkt Cap Ord (Eu mn):	59
Total Mkt Cap (Eu mn):	59
Mkt Float - Ord (Eu mn):	15
Mkt Float (in %):	24.9%
Main Shareholder:	
Dante Srl	41.7%

Balance Sheet Data	
Book Value (Eu mn):	36
BVPS (Eu):	4.03
P/BV:	1.6
Net Financial Position (Eu mn):	-26
Enterprise Value (Eu mn):	85

FY24 results confirmed a definite upturn in business growth, margin expansion and cash generation. STAR7 is now fully equipped to benefit from new opportunities, leveraging on its robust revenue path based on the unique *Integrale*⁷ business model, with increasing contributions from multi-year contracts offering visibility in a volatile business environment. Cost rationalisation and growth in high-margin business lines and geographical markets will continue in the coming years, along with working capital optimisation, resulting in brilliant cash generation prospects. We expect the 2025 focus to be on consolidating the excellent 2024 performance to pave the way for acquisition opportunities in 2026. At the same time, further organic acceleration could come in the defence sector or international expansion (South America and India), while the newly-launched 7AI business line, based on generative AI, will already contribute to growth in 2025.

■ **Revenues business mix boosting margin expansion.** FY24 revenues were up 15% YoY to €120mn. Growth was fully driven by organic expansion and high-margin geographical markets (US and Brazil) and business lines (Product Knowledge and Engineering). 74% of total revenues came from full-service contracts and ~85% were related to multi-annual contracts. This confirms STAR7's ability to continue its growth trajectory by combining new customer acquisition with the cross-selling and upselling opportunities inherent in the *Integrale*⁷ business model. Moreover, thanks to this positioning, we believe STAR7 enjoys high visibility and revenue growth that is not dependent on customer business volume trends.

■ **Strong cash generation and buyback demonstrate solidity of growth path.** The FY24 adj. EBITDA margin expanded ~40bp to 15.7%, reflecting the high-quality revenue mix, the ongoing search for cost rationalisation, even after the full integration of CAAR, and the increased use of offshoring in Albania. Adj. NFP was €32.7mn, a marked improvement on €37.8mn at YE23 (adj. NFP/ EBITDA ratio down to 1.7x) confirming the effectiveness of working capital optimisation, with tight control of payment and collection timescales, boding well for future cash generation. In addition, STAR7 announced a buyback to be executed in the coming months, targeting the purchase of shares corresponding to up to 10% of the capital.

■ **Change in estimates.** Considering the positive 2024 trend in higher value-added business lines, margin expansion and working capital rationalisation, we are confirming our estimates for margin expansion, with an adj. EBITDA margin of 15.7% in FY25 and acceleration in FY26/27 to 16.0%/16.3%. On the bottom line, we are raising our FY25 adj. EPS by 2.9%, mainly on lower D&A, while confirming our forecast for €10.3mn in adj. net profit in FY26. In light of strong 2024 cash generation, we are raising our NFP estimates for YE25 (€26.3mn vs. €30.5mn previously) and the following years, conservatively estimating annual EBITDA cash conversion of ~30%, for NFP/EBITDA of 0.6x in 2027.

■ **BUY confirmed; target from €10.5 to €11.0.** We confirm our positive view on the stock, considering the current valuation to be particularly appealing in view of ongoing business developments. Furthermore, we think the launch of the announced buyback, following final approval by shareholders, could support the stock price in the coming months.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	106	121	125	132	141
EBITDA Adj (Eu mn)	16	19	19	21	23
Net Profit Adj (Eu mn)	7	8	9	10	12
EPS New Adj (Eu)	0.644	0.907	0.954	1.141	1.294
EPS Old Adj (Eu)	0.644	0.824	0.927	1.146	
DPS (Eu)	0.000	0.000	0.000	0.000	0.000
EV/EBITDA Adj	6.8	4.8	4.4	3.8	3.2
EV/EBIT Adj	9.5	6.5	5.9	4.9	4.0
P/E Adj	10.2	7.2	6.9	5.7	5.1
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
Net Debt/EBITDA Adj	2.4	1.5	1.4	1.0	0.6

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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&PMB40 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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 December 2024 Intermonte's Research Department covered 132 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	30.60 %
OUTPERFORM:	43.28 %
NEUTRAL:	26.12 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 December 2024 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (71 in total) is as follows:

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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