

PRESS RELEASE

STAR7 – Board of Directors approves Draft Annual Report and Consolidated Financial Statements as at 31 December 2022

Guidance of €15 million EBITDA in 2022 achieved

STRONG GROWTH IN REVENUES AND INCREASED OPERATING MARGIN

Revenues: €83.3 million (+41.1% compared to €59.0 million in 2021 and +14.3% compared to €72.8 million pro-forma 2021)

EBITDA: €15.1 million (+82.9% compared to €8.3 million in 2021 and +18.1% compared to €12.8 million pro-forma 2021)

EBITDA Margin: 18.2% (14.0% in 2021 and 17.6% pro-forma 2021)

Profit for the year: €3.1 million (+24.8% vs. €2.5 million in 2021)

Net financial position: Net debt of €35.1 million as at 31.12.2022 (increase of €3.2 million compared to debt of €31.9 million as at 31/12/2021)

Valle San Bartolomeo (Alessandria, Italy), 28 March 2023 – The Board of Directors of **STAR7** (EGM: ticker STAR7) met today under the chairmanship of Lorenzo Mondo to examine and approve the Draft Annual Report and Consolidated Financial Statements as at 31 December 2022. STAR7 is a company that provides an integrated range of product-information services, from product and process engineering support to the creation and management of technical and marketing content, translation, printing and virtual experience. The financial statements were prepared in accordance with the Euronext Growth Milan Issuers Regulation and in compliance with Italian accounting standards.

Lorenzo Mondo, Chairman and Chief Executive Officer of STAR7, commented: *“The 2022 results demonstrate the effectiveness of the strategy we presented at the IPO in December 2021, which we have successfully executed over subsequent months.*

“Despite a scenario that was profoundly different from our assumptions at the end of 2021, we achieved the target of €15 million in EBITDA. Had we not reached this level, would have been required to cancel the PAS, the special shares held by key shareholders, according to a scheme designed to reflect the extent of any deviation from that threshold.”

“These good results,” continued Mondo, “have been driven both by the rapid and effective integration of recent acquisitions – as shown by the decisive contribution of LocalEyes – and organic growth from new customers, in particular in foreign markets, and cross-selling through our Integrale⁷ business model.”

The CEO added: *“Cash generation has fuelled significant deleveraging: the ratio between net debt and EBITDA in fact dropped from 3.9x at the end of 2021 to 2.3x at the end of 2022. We therefore find ourselves today with adequate financial flexibility to support our next growth process.*

“Furthermore, thanks to the CAAR deal signed at the end of 2022, there is a new opportunity to make an important leap as a Group both in terms of size and strategic positioning.”

PERFORMANCE AND FINANCIAL POSITION

Revenues

STAR7 Group **revenues** reached €83.3 million in 2022, up 41.1% on 2021. The increase of 14.3% compared to the 2021 pro-forma revenues of €72.8 million (considering the acquisition of LocalEyes and The Geo Group for 12 months) is also significant.

The positive trend was also confirmed in the second half of the year, with revenues of €43.6 million. This result continued the double-digit annual growth trend that has been a feature of STAR7's development from 2000 to today, with a compound annual growth rate of 19% for the period 2013-2022.

The geographical breakdown of 2022 revenues highlights the growing internationalisation of STAR7 through expansion into the US market: Italy's share of revenues fell from 58.3% in 2021 to 55.8% in 2022, followed by the USA, whose share rose slightly from 27.9% to 28.2%, while Brazil's increased from 6.5% in 2021 to 8.7% in 2022. Revenues generated in other geographical areas cumulatively accounted for 7.3% in 2022, compared to 7.2% in 2021.

The Brazilian subsidiary recorded a 53.6% increase in revenues compared to 2021, also benefiting from a favourable exchange rate effect. The Brazilian real has appreciated by 15% against the euro compared to the average exchange rate in 2021, with a positive impact on consolidated revenues of approximately €1.1 million.

The increase in revenues achieved in 2022 was fuelled both by the consolidation of the acquired companies and by organic growth, thanks to new customer acquisitions, the consolidation of the existing portfolio through cross-selling, and the offering of higher value-added services.

Service lines as % of revenues	FY 2022	FY 2021 PF	FY 2021
Engineering, Experience e Product Knowledge	35.9%	39.7%	49.0%
Global Content	46.3%	46.4%	33.8%
Printing	17.8%	13.9%	17.1%

Revenues from Printing services rose as a proportion of total Group revenues in 2022, particularly in the Brazilian market, thanks to the acquisition of important new customers in the educational publishing sector.

Global Content's share remained unchanged, while Engineering, Experience and Product Knowledge posted a slight increase in revenues, in absolute terms, compared to the previous year. We are confident that the business lease of CAAR-STI finalised on 31/12/2022 will help to rebalance the distribution of revenues from the three service lines as early as the beginning of 2023.

The CAAR Group achieved estimated revenues for 2022 of €15 million. Once integrated in the STAR7 Group, the deal will make Engineering a leading service line in STAR7's offering, also significantly increasing the opportunities for cross selling, in particular with Product Knowledge services.

EBITDA

STAR7 Group **EBITDA** increased significantly in 2022, rising from €8.3 million in 2021 to €15.1 million (+82.9%).

The comparison with the 2021 pro-forma **EBITDA**, equal to €12.8 million (considering the 12-month acquisition of LocalEyes and The Geo Group) is equally positive, with a double-digit increase of 18.1%.

The **EBITDA Margin** reached 18.2%, a significant increase compared to previous years as shown in the table below:

EBITDA Margin	%
2022	18.2%
2021 PF	17.6%
2021	14.0%
2020	9.5%

The higher margin reflects the benefits of the cost rationalisation programme launched in 2020 and continued in the following years. The plan includes tangible initiatives in process automation and workload optimisation, also through the introduction of global governance of the Service Lines, as well as increased offshoring, which contributed to greater operating efficiency.

Of particular note in these areas is the progressive strengthening of the operating unit in Albania, with the opening of a new branch dedicated to Global Content services and the start of work on an office dedicated to Product Knowledge services, expected to be fully operational in Q2 2023.

EBIT

In 2022, the **EBIT** of the STAR7 Group reached €7.3 million, an increase of 83.7% compared to the approximately €4.0 million in 2021, and of 32.9% compared to the pro-forma EBIT of €5.5 million, albeit absorbing an 82.1% increase in depreciation and amortisation deriving from investments to strengthen the group structure.

Profit for the period

The STAR7 Group posted a **Net Profit** of €3.1 million in 2022, an increase of 24.8% compared to €2.5 million in 2021. This was achieved in spite of the increase in amortisation/depreciation and financial expense, which includes interest on the 4.75% bond issued in November 2021.

The M&A transactions carried out to date have generated goodwill of €35.3 million and associated amortisation of €4.0 million. To provide a picture in line with other European companies, profit for the year 2022 net of this amortisation would have been €7.1 million.

Net financial position

As at 31 December 2022, the STAR7 Group's **Net Financial Position** showed debt of €35.1 million, an increase of €3.2 million compared to the end of 2021 (but down on €37.4 million as at 30 June 2022).

The Net Financial Position, which continues to be based on medium and long-term maturities, comprises the €25 million bond issue, repayment of which will begin in 2023, payables to banks of €5 million (net of €18.5 million liquidity), lease payables of €1.7 million (applying IFRS 16) and vendor loans of €3.4 million associated with the acquisitions of LocalEyes and Vertere.

The **Debt-to-EBITDA ratio** therefore decreased from 3.9x in 2021 to 2.3x in 2022.

NET FINANCIAL POSITION COMPOSITION 2022	%
Bonds	25.0 M
Medium/long-term payables to banks	10.7 M
Short-term payables to banks	12.8 M
Leases	1.7 M
Payables to others	3.4 M
Total payables	53.6 M
Liquidity	18.5 M
Net Debt	35.1 M

At the end of 2022, STAR7 therefore has a well-balanced financial structure, with access to the liquidity needed to continue developing both through organic growth and further M&A initiatives.

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MAIN EVENTS IN FY 2022

In July 2022, STAR7 signed a contract to acquire 100% of Vertere S.r.l., an Italian company which provides Global Content services (translation and localisation).

The acquired company stands out in particular for its analysis, development skills and knowledge in the area of language IT, which it combines into a distinctive management process hinging on workflow optimisation and automation.

Vertere s.r.l., based in Piacenza, was founded in 1994 as a translation agency specialised in the fields of machine tools and industrial automation. Anticipating market demands, in 1996 it was among the first companies in Italy to implement Computer Assisted Translation (CAT) tools in its workflows, successfully marketing itself as a partner for the management of assisted translation projects. Vertere's workforce consists of project managers and in-house translators certified in the use of SDL Trados products, as well as experienced IT experts. The Company also relies on a worldwide network of more than 200 translators, reviewers and external collaborators, spanning a range of skills and specialisations.

In 2021, Vertere s.r.l. achieved revenues of €1.3 million and an EBITDA of €0.1 million, with an Adjusted EBITDA of €0.15 million. The company had a robust financial position, with net cash of €0.3 million and no bank debt.

The disbursement for the acquisition of Vertere srl was covered entirely by the liquidity available to STAR7. The Company raised new funding of €15 million in its IPO, at the end of December 2021, with the declared intention of pursuing M&A deals in order to continue its strong trend of profitable growth in previous years.

In September 2022, STAR7 made its first appearance at IAA Transportation, Europe's largest trade fair for commercial transport, where it exhibited in partnership with IVECO GROUP, one of the sector's most prominent brands, showcasing virtual sales and aftersales training. The fair took place in Hanover, Germany, from 2022 to 20 September 25. Appearing together at this event is further confirmation of the positive relationship that has existed between STAR7 and IVECO GROUP for over 11 years.

In December 2022, STAR7 signed a business branch lease agreement which includes Turin-based CAAR SpA, rights equivalent to real rights of enjoyment over the foreign subsidiaries in Brazil and Serbia, as well as another lease agreement for the subsidiary STI s.r.l., based in Bolzano, controlled by CAAR SpA. The lease agreements, which take effect from 1 January 2023, also include contracts relating to projects for customers (of primary standing in the Automotive, Defence and Agriculture sectors) and the employment contracts of around 320 employees, mostly engineers.

STAR7's aim with the deal is to strengthen its Engineering service line, improving the effectiveness of its distinctive multi-service 'Integrale'⁷ business model. The initial phase of the deal takes the form of the Lease of the Company Branch, with a view to full-scale acquisition of the process engineering activities of the CAAR Group.

The lease ensures continuity for ongoing projects and means skilled personnel can be retained while the CAAR Group begins its debt restructuring process. STAR7 has also submitted a binding purchase offer which is conditional, among other things, on the approval of the competent court.

The CAAR Group, which had estimated revenues of around €15 million at the end of 2022, is controlled by Francesco Ellena, who founded it in 2009 following a successful management career. Leveraging its substantial automotive expertise, the Group has expanded over time to offer engineering solutions, mainly process engineering, to the aerospace and defence, rail, agriculture, energy, logistics, infrastructure, and electronics sectors. Over the years, the engineering services offered have grown not only in Italy but also in the rest of Europe and especially in Brazil, becoming an important reference point in the segments in which the Group operates.

In 2022, the CAAR Group has had to confront a crisis that threatened the normal running of the business. As a result, a debt restructuring process has been initiated under the new Italian Corporate Crisis and Insolvency Code, or C.C.I. (articles 57 and 63 of Legislative Decree 14 of 12 January 2019, and subsequent amendments). The contract signed with STAR7 for the lease of the business division should therefore be viewed within the context of taking immediate and appropriate action to ensure the branch can continue on an ongoing basis, in line with the overall goal of protecting the Group's creditors and Customers. All banking institutions which had provided funding to CAAR have been informed of the deal.

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SUBSEQUENT EVENTS

STAR7 started 2023 by laying some important groundwork that point towards its future growth path, through the integration of the two business branches of CAAR and STI.

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OUTLOOK

Following on from the major operations carried out in 2022 and the results obtained, STAR7 has begun 2023 with a continuation of its growth path, thanks in part to the opportunities deriving from the CAAR and STI deal. All of this has been achieved in spite of an international context complicated by the escalation of the Russia-Ukraine conflict.

The outlook for the future continues to be positive, and scouting activities are ongoing, to identify strategic targets to acquire in order to continue to grow, especially in the international arena.

The M&A-led growth strategy will continue, following a highly disciplined approach aimed at value creation; STAR7 can also rely on sources of funding from available liquidity and future cash generation.

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ALLOCATION OF PROFIT FOR THE YEAR

The allocation of the profit for the year of €3,083,802 provides that earnings will be retained for the full amount.

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NOTICE OF ORDINARY SHAREHOLDERS' MEETING

The Board of Directors resolved to convene the Ordinary Shareholders' Meeting on 27 April 2023 at first call and, if necessary, on 2 May 2023 at second call, with the following agenda:

Approval of the annual report as at 31 December 2022;

Allocation of the profit for the year.

The Notice of the Shareholders' Meeting and the related documentation will be made available to the public within the terms and in the manner established by current legislation.

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FILING OF DOCUMENTATION

A copy of the Consolidated Financial Report as at 31 December 2022, including the Independent Auditors' Report, will be made available to the public within the terms set out by law at the company's registered office in Valle San Bartolomeo (Alessandria, Italy), on the company's website www.star-7.com in the section "Investor Relations/Reports and financial statements", and on the authorised storage mechanism www.1info.it.

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CONFERENCE CALL TO PRESENT 2022 RESULTS

The results for the 2022 financial year will be presented in a conference call by STAR7's management today, Tuesday 28 March 2023, at 3:00 p.m. CET.

The conference call can be joined by registering at the following URL:

<https://events.teams.microsoft.com/event/f3c2605e-339f-47f1-aa9e-0821d698a43e@1d88a220-5f5c-42a8-8081-4a67baa01fc4>

The presentation will be available from the start of the conference call on the company website at: <https://www.star-7.com/en/investor-relations/presentations>

This document is an English translation from Italian. The Italian original shall prevail in case of difference in interpretation and/or factual errors.



STAR7

For more than 20 years, STAR7 has served its customers as a leader in the product information sector. Support for product and process engineering, creating and managing technical content, as well as marketing, translation, printing and virtual experience: STAR7's range of services means it can assist its customers throughout the product life-cycle – from design to aftersales.

STAR7's hallmark has always been an approach combining specific know-how, technology and vision to offer the best possible solutions to the needs of customers and the global market. This approach has seen STAR7 strike major partnerships with leading international companies, establishing it as a reliable and credible global partner.

STAR7 is part of the STAR Group network.

www.star-7.com.

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ANNEXES

INCOME STATEMENT

	12/31/2022	12/31/2021	Change	Change %	31/12/2021 PF	Change	Change %
Net Revenues	83,251,178	58,992,426	24,258,752	41.1%	72,837,095	10,414,083	14.3%
Other revenues	1,588,134	1,003,507	584,627	58.3%	1,341,415	246,719	18.4%
Change in inventories and increases in fixed assets	145,499	28,824	116,675	404.8%	28,824	116,675	404.8%
External costs	- 40,614,344	- 28,767,306	-11,847,038	41.2%	- 35,366,984	-5,247,360	14.8%
Added Value	44,370,467	31,257,451	13,113,016	42.0%	38,840,350	5,530,117	14.2%
Personnel costs	- 29,258,658	- 22,977,581	-6,281,077	27.3%	- 26,044,990	-3,213,668	12.3%
EBITDA	15,111,809	8,264,052	6,847,757	82.9%	12,795,360	2,316,449	18.1%
Depreciation, writedowns and other provisions	- 7,782,533	- 4,273,269	-3,509,264	82.1%	- 7,282,226	-500,307	6.9%
EBIT	7,329,275	3,990,783	3,338,492	83.7%	5,513,133	1,816,142	32.9%
Net financial income	- 2,298,841	- 632,967	-1,665,874	263.2%	- 1,599,318	-699,523	43.7%
Ordinary income	5,030,434	3,357,816	1,672,618	49.8%	3,913,815	1,116,620	28.5%
Gain (losses) on investments	-	751	-751	-100.0%	751	-751	-100.0%
Profit before taxes	5,030,434	3,358,567	1,671,867	49.8%	3,914,566	1,115,869	28.5%
Income taxes	- 1,946,632	- 887,647	-1,058,985	119.3%	- 1,163,635	-782,998	67.3%
Net profit	3,083,802	2,470,920	612,882	24.8%	2,750,931	332,871	12.1%

BALANCE SHEET

	12/31/2022	12/31/2021	Change	Change %
Net intangible assets	39,146,910	41,085,421	-1,938,512	-4.7%
Net tangible assets	6,894,087	6,468,229	425,858	6.6%
Equity holdings and other financial investments	751,110	229,283	521,827	227.6%
Fixed assets	46,792,107	47,782,933	- 990,827	-2.1%
Inventories	2,418,351	1,414,322	1,004,029	71.0%
Trade receivables	29,395,493	23,990,540	5,404,952	22.5%
Receivables from associates	683,938	1,569,324	-885,386	-56.4%
Other receivables	5,763,610	4,705,448	1,058,162	22.5%
Accruals and prepaid expenses	1,998,114	1,632,214	365,900	22.4%
Current assets	40,259,506	33,311,848	6,947,658	20.9%
Trade payables	- 8,574,855	- 7,388,534	-1,186,321	16.1%
Other payables to associates	- 669,672	- 564,804	-104,868	18.6%
Advance payments	-	-	0	0.0%
Outstanding tax and social security debts	- 2,278,916	- 2,481,535	202,619	-8.2%
Other payables	- 2,995,946	- 5,503,030	2,507,084	-45.6%
Accruals and deferred income	- 2,437,357	- 3,343,496	906,139	-27.1%
Current liabilities	- 16,956,746	- 19,281,398	2,324,652	-12.1%
Net working capital	23,302,759	14,030,450	9,272,310	66.1%
Severance pay	- 4,716,159	- 3,900,178	-815,981	20.9%
Tax and social security debts (beyond the following fiscal year)	-	-	0	0.0%
Other non-current liabilities	- 1,132,021	- 499,892	-632,129	126.5%
Non-current liabilities	- 5,848,180	- 4,400,070	- 1,448,110	32.9%
Invested Capital	64,246,686	57,413,313	6,833,373	11.9%
Shareholders' Equity	- 29,151,676	- 25,505,057	-3,646,618	14.3%
Short-term Net Financial Position	- 366,809	10,813,184	-11,179,993	-103.4%
MLT Net Financial Position	- 34,728,201	- 42,721,439	7,993,238	-18.7%
Net equity and Net financial debt	- 64,246,686	- 57,413,313	- 6,833,373	11.9%

CASH FLOW STATEMENT

	12/31/2022	12/31/2021
A. CASH FLOW FROM OPERATIONS (INDIRECT METHOD)		
Profit (loss) for the year	3,083,802	2,470,920
Income taxes	1,946,632	887,647
Financial charges/(incomes)	2,300,519	632,581
Capital (gains)/losses from assets disposal	-77,121	-2,167
1. Profit (loss) for the year before taxes, financial charges, dividends and capital gains/losses from disposal	7,253,833	3,988,981
Adjustments for non-cash items that had no impact on net working capital		
Provisions	592,582	64,000
Depreciation/amortization of fixed assets of fixed assets	7,718,533	4,209,269
Severance provisions	1,369,942	947,769
Others	207,121	
Financial Instruments	-473,499	4,085
Others upward/(downward) adjustments for non-cash items	446,849	-201,221
2. Cash flow before changes in net working capital	17,115,361	9,012,883
Changes in net working capital		
Decrease/(increase) in inventories	-1,004,030	-679,471
Decrease/(increase) of trade receivables	-5,796,146	-22,032
Increase/(decrease) in trade payables	1,358,206	1,634,614
Decrease/(increase) in accruals and prepaid expenses	-365,900	-758,815
Increase/(decrease) accrued charges and deferred income	-686,944	1,931,668
Other variations of net working capital (receivables)	-221,097	112,173
Other variations of net working capital (payables)	-2,644,340	
3. Cash flow after changes in net working capital	7,755,109	11,231,020
Other adjustments		
Interests received/(paid)	-2,300,519	-473,164
(Income taxes paid)	-1,966,851	-486,293
(Use of severance provisions)	-785,948	-401,158
4. Cash flow after others adjustments	2,701,791	9,870,405
CASH FLOW FROM OPERATING ACTIVITIES (A)	2,701,791	9,870,405
B. CASH FLOW FROM INVESTING ACTIVITIES		
Tangible assets	-1,760,320	-2,105,553
(Investments)	-2,003,822	-2,195,715
Disposals	243,502	90,162
Intangible Assets	-2,100,465	-3,857,573
(Investments)	-2,100,465	-3,857,573
Disposals	0	
Financial assets	-4,195	276,053
(Investments)	-4,195	-3,178
Disposals	0	279,231
Acquisitions	-2,156,077	-31,630,496
CASH FLOW FROM INVESTING ACTIVITIES (B)	-6,021,057	-37,317,569
C. CASH FLOW FROM FINANCING ACTIVITIES		
Third parties		
Increase/(decrease) in long term bank loans	3,911,856	35,127,990
Loans repayment	-8,284,741	-2,010,873
Increase/(decrease) in short term bank loans	2,560,415	-42,275
Proper financing		
Sales/(purchase) own shares	0	11,827,500
CASH FLOW FROM FINANCING ACTIVITIES (C)	-1,812,470	44,902,342
Exchange rate effect on cash and cash equivalents	132,510	33,841
INCREASE/(DECREASE) IN CASH AND EQUIVALENTS (A ± B ± C)	-5,131,735	17,455,178
Cash and cash equivalent at 1 January 2022	23,485,538	5,996,519
Cash and cash equivalent at 31 December 2022	18,486,312	23,485,538