

PRESS RELEASE

STAR7 - Board of Directors approves Consolidated Half-yearly Report as at 30 June 2022 Guidance of €15 million EBITDA in 2022 confirmed

REVENUES IN CONTINUOUS GROWTH AND EBITDA MARGIN AT 18.2%

Revenues: €39.6 million (+41.2% compared to €28.1 million in the first half of 2021; +13.4% compared to the pro forma figure of €35.0 million in the first half of 2021)

EBITDA: €7.2 million (+68.5% compared to €4.3 million in the first half of 2021; +9.8% compared to the pro forma figure of €6.6 million in the first half of 2021)

EBITDA Margin: 18.2% (compared to 15.3% in the first half of 2021; the pro forma figure in the first half of 2021 was 18.8%)

Profit for the period: €1.5 million (-23.7% compared to €2.0 million in the first half of 2021; -29.7% compared to the pro forma figure of €2.1 million in the first half of the year)

Net financial position: debt of €37.4 million as at 30 June 2022 (increase of €5.5 million compared to debt of €31.9 million as at 31 December 2021)

Valle San Bartolomeo (Alessandria, Italy), 29 September 2022 – The Board of Directors of **STAR7** (EGM ticker: STAR7) met today under the chairmanship of Lorenzo Mondo to examine and approve the Consolidated Half-yearly Report as at 30 June 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: *"Results in the first half confirm the Group's continued growth, driven by rigorous implementation of the strategy announced at IPO in December 2021. In 2022 we have found ourselves in an operating context that has turned out to be much more complicated than we could have predicted at the end of last year. Nevertheless, STAR7 has managed to achieve double-digit growth rates in both revenues and EBITDA, with all Group companies making a positive contribution. This shows that the acquisitions we have made were the right ones and that we have successfully integrated them, with a positive impact not only on scale but on margins, too. The good half-year results also testify to the validity of STAR7's business model, which hinges on upselling and cross-selling between the various service lines, as well as the successful management of operating costs within the current inflationary environment."*

Mondo continued: *"This year we have also intensified our efforts in the US market, where we have strengthened the sales force and rebranded recent acquisitions under the STAR7 name to provide a more streamlined organisation and clearer customer perception."*

He added: *"In light of the results achieved in 2021 and in the first part of the current year, we feel even more confident that we can achieve the target EBITDA of €15 million for the full-year 2022, as forecast at IPO."*

"We are without doubt ready to seize new acquisition opportunities, generating still more value for our shareholders," the Group CEO concluded. "The tough operating environment has increased the number of companies for sale, enhancing our pipeline of M&A candidates, which we can now evaluate selectively. This feeds into fresh ideas for the near future, even as we remain focused on managing the challenges of the present scenario."

PERFORMANCE AND FINANCIAL POSITION

Revenues

STAR7 Group **revenues** amounted to €39.6 million in the first half of 2022, an increase of 41.2% compared to €28.1 million in the first half of 2021. This change was driven by the incremental contribution of the acquisitions made in the second half of last year (Geo Group and LocalEyes) and organic growth, thanks to the development of contractual relationships with new customers and an expansion in the activities carried out for existing customers.

The geographical distribution of revenues in the first half of 2022 reflects the growing internationalisation of STAR7, with the proportion of revenues from non-EU countries rising from 19% to 36%, mainly due to the contribution of LocalEyes.

Geographical breakdown of Group revenues	H1 2022	H1 2021
Italy	59%	75%
European Union	5%	6%
Non EU	36%	19%

The increase in the proportion of Group Revenues accounted for by the Global Content service line reflects the consolidation of LocalEyes, acquired in November 2021. Engineering, Experience and Product Knowledge services retain strong potential for development through cross-selling initiatives, which will be targeted at customers that currently use STAR7 exclusively for language services.

Service Lines as a % of Group Revenues	H1 2022	H1 2021
Global Content	46%	31%
Engineering, Experience and Product Knowledge	38%	49%
Printing	16%	20%

EBITDA

Despite the increase in headcount and the inflation of some operating costs, the STAR7 Group's **EBITDA** rose significantly from €4.3 million in the first half of 2021 to €7.2 million (+68.5%) in the first half of 2022. The **EBITDA Margin** therefore reached 18.2%, compared to 15.31% in the same period of 2021.

The strong margin reflects careful cost rationalisation achieved through corporate simplifications and the further development of offshoring activities in Albania, while also bearing witness to the effective integration of the acquired companies.

EBIT

In the first half of 2022, the **EBIT** of the STAR7 Group reached €3.5 million, an increase of 24.2% compared to €2.9 million in the first half of 2021, despite the significant increase in Amortisation, Depreciation, Write-downs and Provisions (+€2.2 million compared to the first half of 2021), linked in particular to the goodwill of the acquired companies.

Profit for the period

In the first half of 2022, the STAR7 Group reported a **net profit** of €1.5 million, down 23.7% compared to €2.0 million in the first half of 2021. The €0.5 million decrease in net profit, compared to an EBIT increase of €0.7 million, reflects the negative impact of higher net financial expenses (+€0.8 million) as a result of the debt taken out to finance the acquisition of LocalEyes as well as the increase in income taxes (+€0.4 million).

Net working capital

Net working capital was up significantly as at 30 June 2022, but this was not linked to a change in payment and collection conditions. Inventories increased mainly due to the rise in the cost of raw materials. Trade receivables increased in line with the uplift in turnover, but this was also due to the fact that this is an interim report, hence part of the increase will be absorbed by the end of the financial year. The reduction in trade payables is mainly linked to the payment of a number of costs related to the listing process, recognised at the end of 2021 both in trade payables and other payables.

This dynamic was due by the combined effect of the factors described. It will be partially reabsorbed by the end of the 2022 financial year, leading to an improvement in net financial position towards the values at the start of the year.

Net financial position

As at 30 June 2022, the STAR7 Group's **net financial position** showed debt of €37.4 million, an increase of €5.5 million compared to the end of 2021 (net debt of €31.9 million). The change in the net financial position reflects the impact of the payment of certain costs related to the listing process that took place in December 2021, as well as the expansion of net working capital linked to the increase in turnover. In the first half of 2022, the Parent Company STAR7 S.p.A. also took out a new medium-term bank loan of €3.0 million, which will be used in part to repay a short-term loan.

STAR7 has maintained a good level of available liquidity (€21.0 million as at 30 June 2022), so as to be able to promptly seize any acquisition opportunities. During the first half of 2022, the Company also extended the profile of its average debt maturity, with an increase in long-term bank debt. STAR7 continues to meet the covenants of the bonds issued to finance the acquisition of LocalEyes by an ample margin.

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SIGNIFICANT EVENTS IN THE FIRST HALF OF 2022

On **28 February 2022**, STAR7 announced that it had renewed significant multi-year contracts covering all service lines with a historic customer in the Automotive sector, and that it had signed a new contract for Global Content activities with one of the largest tourism operators in Italy. Additional contracts of significant size were also renewed in the first half of 2022, confirming customers' trust in STAR7 and providing revenue visibility for the coming years.

In **March 2022**, the offices of the two Albanian companies based in Tirana and controlled respectively by STAR7 and LocalEyes were joined together, further facilitating the integration of the most important acquisition completed in 2021.

In **June 2022**, a new STAR7 office was opened in Shkodra, Albania, with the aim of seizing further offshoring opportunities in addition to those managed through the Tirana office.

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SUBSEQUENT EVENTS

On **26 July 2022**, STAR7 signed the contract for the acquisition of 100% of Vertere S.r.l., an Italian company in the translation and localisation sector. Vertere boasts a strong track record of leveraging the benefits of Language Information Technology within a **distinctive management process** based on **workflow optimisation**.

Also on **26 July 2022**, the deeds were signed for the **merger by incorporation into STAR7 of two wholly owned subsidiaries, AD Studio s.r.l. and STAR7 Engineering s.r.l.** The operation is part of a long process of corporate optimisation and simplification at STAR7.

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OUTLOOK

Performance in the first few months since 30 June 2022 has continued to be good despite the complex international scenario caused by the ongoing geopolitical crisis. STAR7 expects to achieve a profit for the full year 2022.

Performance in the first half of 2022 and visibility of activities already planned up to the end of the year give STAR7 grounds to believe that **the EBITDA target of €15 million for 2022 is achievable**, confirming the guidance originally provided at IPO and reiterated at the presentation of the results for the 2021 financial year.

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FILING OF DOCUMENTATION

A copy of the Consolidated Half-yearly Report as at 30 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), as well as by publication 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 H1 2022 RESULTS

The results for the first half of 2022 will be presented in a conference call by STAR7 management today, Thursday 29 September 2022, at 3:00 PM (CET).



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

https://teams.microsoft.com/registration/IKKIHVxfqEKAgUpnuqAfxA,aO-tHw7pbkWMK4samIBWxQ,3M82bKFUn0GhdJhzfGiLXg,5GpOcLrrwkWiP-qfRIO99w,KjOXalulkUu40rH068h5FQ,lq2lpc_SkkKMifa6zJ_zDA?mode=read&tenantId=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>.

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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: with its services, STAR7 is able to support the industrial activity of customers throughout the life cycle of the product, from the design phase to after-sales. The hallmark of STAR7 has always been an approach capable of combining specific know-how, technology and overall perspective 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.

FOR FURTHER INFORMATION:

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ANNEXES

INCOME STATEMENT

	30/06/2022	30/06/2021	Change	Change %	30/06/2021 PF	Change	Change %
Net Revenues	39,649,244	28,078,559	11,570,685	41.2%	34,956,267	4,692,977	13.4%
Other revenues	701,342	533,036	168,306	31.6%	738,234	- 36,892	-5.0%
Change in inventories and increase in fixed assets	109,883	18,339	91,544	499.2%	104,686	5,197	5.0%
External costs	- 18,928,206	- 13,586,836	- 5,341,370	39.3%	- 16,630,470	- 2,297,736	13.8%
Added Value	21,532,263	15,043,098	6,489,165	43.1%	19,168,717	2,363,546	12.3%
Personnel costs	- 14,292,558	- 10,685,718	- 3,606,840	33.8%	- 12,514,281	- 1,778,277	14.2%
Gross Operating Profit	7,239,705	4,357,380	2,882,325	66.1%	6,654,436	585,269	8.8%
Write-down of trade receivables	- 9,190	- 66,329	57,139	- 86.1%	- 68,496	59,306	-86.6%
EBITDA	7,230,515	4,291,051	2,939,464	68.5%	6,585,940	644,575	9.8%
Depreciation, writedowns and other provisions	- 3,681,000	1,432,445	- 2,248,555	157.0%	- 3,115,167	- 565,833	18.2%
EBIT	3,549,515	2,858,606	690,909	24.2%	3,470,773	78,742	2.3%
Net financial income	- 1,018,585	- 209,911	- 808,674	385.2%	- 807,577	- 211,008	26.1%
Ordinary income	2,530,930	2,648,695	-117,765	- 4.4%	2,663,196	-132,266	-5.0%
Gain (losses) on investments	-	- 15,176	15,176	- 100.0%	-	0	-
Profit before taxes	2,530,930	2,633,519	-102,589	- 3.9%	2,663,196	-132,266	-5.0%
Income taxes	- 1,037,529	- 676,620	- 360,909	53.3%	- 538,366	- 499,163	92.7%
Net Profit	1,493,401	1,956,899	-463,498	-23.7%	2,124,830	-631,429	-29.7%

BALANCE SHEET

	30/06/2022	31/12/2021	Change	Change %
Net intangible assets	40,223,262	41,085,421	- 862,159	-2.1%
Net tangible assets	6,324,093	6,468,228	- 144,135	-2.2%
Equity holdings and other financial investments	566,687	261,329	305,358	116.8%
Fixed assets	47,114,042	47,814,978	- 700,936	-1.5%
Inventories	2,168,409	1,414,322	754,087	53.3%
Trade receivables	26,663,225	23,599,347	3,063,878	13.0%
Receivables from associates	696,972	1,564,768	- 867,796	-55.5%
Other receivables	6,057,872	4,661,683	1,396,189	30.0%
Accruals and prepaid expenses	2,356,690	1,632,214	724,476	44.4%
Current assets	37,943,168	32,872,334	5,070,834	15.4%
Trade payables	- 6,277,256	- 7,216,649	939,393	-13.0%
Other payables to associates	- 700,430	- 548,416	- 152,014	27.7%
Advance payments	-	-	-	0.0%
Outstanding tax and social security debts	- 2,566,681	- 2,481,535	- 85,146	3.4%
Other payables	- 2,883,134	- 5,503,029	2,619,895	-47.6%
Accruals and deferred income	- 2,370,420	- 3,124,301	753,881	-24.1%
Current liabilities	- 14,797,921	- 18,873,930	4,076,009	-21.6%
Net working capital	23,145,247	13,998,404	9,146,843	65.3%
Severance pay	- 4,195,900	- 3,900,178	- 295,722	7.6%
Tax and social security debts (beyond the following year)	-	-	-	0.0%
Other non-current liabilities	- 536,946	- 499,892	- 37,054	7.4%
Non-current liabilities	- 4,732,846	- 4,400,070	- 332,776	7.6%
Invested Capital	65,526,443	57,413,312	8,113,131	14.1%
Shareholders' Equity	- 28,119,893	- 25,505,057	- 2,614,836	10.3%
Short-term Net Financial Position	3,266,209	10,813,184	- 7,546,975	-69.8%
MLT Net Financial Position	- 40,672,759	- 42,721,439	2,048,680	-4.8%
Net equity and Net financial debt	- 65,526,443	- 57,413,312	- 8,113,131	14.1%

CASH FLOW STATEMENT

30/06/2022 30/06/2021

A, CASH FLOW FROM OPERATIONS (INDIRECT METHOD)

Profit (loss) for the year	1,493,401	1,956,899
Income taxes	1,037,528	676,620
Financial charges/(income)	1,029,642	209,271
(Capital gains)/losses from assets disposal		-2,000
1, Profit (loss) for the year before taxes, financial charges, dividends and capital gains/losses from disposals	3,560,572	2,840,790
Adjustments for non-cash items that had no impact on networking capital		
Provisions	32,000	33,136
Depreciation/amortisation of fixed assets	3,649,000	1,399,310
Severance provisions	614,458	483,637
Others	0	
Financial instruments	-295,846	15,176
Other upward/(downward) adjustments for non-cash items	281,800	-224,199
2, Cash flow before changes in net working capital	7,841,983	4,547,850
Changes in net working capital		
Decrease/(increase) in inventories	-754,088	-506,399
Decrease/(increase) of trade receivables	-3,063,878	244,986
Increase/(decrease) in trade payables	-939,393	84,161
Decrease/(increase) in accruals and prepaid expenses	-724,476	-616,383
Increase/(decrease) in accrued charges and deferred income	-753,882	-365,276
Other variations of net working capital (receivables)	-528,393	-139,280
Other variations of net working capital (payables)	-2,242,119	
3, Cash flow after changes in net working capital	-1,164,246	3,249,659
Other adjustments		
Interest received/(paid)	-1,029,642	-209,271
(Income taxes paid)	-1,064,219	-256,620
(Use of severance provisions)	-318,736	-92,661
4, Cash flow after other adjustments	-2,412,597	-558,552
CASH FLOW FROM OPERATING ACTIVITIES (A)	-3,576,843	2,691,107

30/06/2022 30/06/2021

B, CASH FLOW FROM INVESTING ACTIVITIES

Tangible assets	-330,869	-603,466
(Investments)	-330,869	-647,444
Disposals	0	43,978
Intangible Assets	-776,792	-771,626
(Investments)	-776,792	-771,626
Disposals	0	
Financial assets	-1,957	-27,317
(Investments)	-1,957	-27,317
Disposals	0	0
Geo Group acquisition	-178,062	-1,350,655
LocalEyes acquisition	-790,403	
CASH FLOW FROM INVESTING ACTIVITIES (B)	-2,078,083	-2,753,064

C, CASH FLOW FROM FINANCING ACTIVITIES

Third parties		
Increase/(decrease) in long term bank loans	3,646,000	4,600,000
Loan repayments	-1,879,839	-1,043,296
Increase/(decrease) in short term bank loans	1,226,428	2,152,658
Own funds		
Sales/(purchase) own shares	0	-3,000,000
CASH FLOW FROM FINANCING ACTIVITIES (C)	2,992,589	2,709,362
Exchange rate effect on cash and cash equivalents	176,916	56,333

INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C) **-2,662,337** **2,647,405**

Cash and cash equivalents at 1 January 2022 **23,485,538** **5,996,519**

Cash and cash equivalents at 30 June 2022 **21,000,117** **8,700,257**