

Corporate

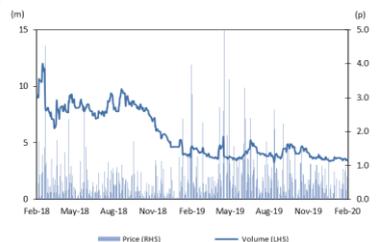
 Current price **1.175p**

 Sector **TMT**

 Code **STAR.L**

 AIM **AIM**

Share Performance



| | 1m | 3m | 12m |
|----------|-------|--------|--------|
| — STAR.L | -2.1% | -13.7% | -25.4% |

Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **4.1**

 Shares in issue (m) **345.3**

| 52 weeks | High | Low |
|----------|--------------|-------------|
| | 1.85p | 1.1p |

 Financial year end **31 December**

Source: Company Data, Allenby Capital

Key Shareholders

| | |
|--------------------|------|
| Avi Hartmann (CEO) | 7.0% |
| Uri Hartmann (CTO) | 6.8% |
| Doron Kedem | 6.8% |

Source: Company Data, Allenby Capital

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Starcom plc (STAR.L)

FY19 pre-close: In line performance; positive outlook

FY19 performance comfortably in line with forecast for the developer of wireless solutions for the remote tracking, monitoring and protection of assets and people. Revenue increased 14% to \$6.8m (ACLe: \$6.7m) and there is expected to have been a \$0.3m positive swing in adj. EBITDA to \$0.3m (ACLe: \$0.3m). Management is confident of the prospects for Lokies, its intelligent reporting padlock, following a successful launch in April 2019. Starcom has recently signed an agreement with a Russian distributor where Starcom is targeting delivery of up to \$2m of Lokies in 2020. The distributor has previously tested the product and ordered an initial 500 units. Starcom is also demonstrating good traction with the higher margin version of Helios as well as Tetis and Kylos. Given the opportunities for growth, we increase our FY20 forecasts and introduce FY21 forecasts.

- FY19 performance** – revenue expected to have increased c. 14% to \$6.8m (ACLe: \$6.7m), with gross margin remaining stable at 41% (FY18: 40%) as the company focuses on more sophisticated products that offer higher gross margins and grow its SaaS revenue base. Good cost control and the effects of operational gearing is expected to result in a \$0.3m positive swing in adj. EBITDA to \$0.3m (ACLe: \$0.3m).
- Lokies** – Starcom’s innovative smart keyless padlock, was launched in April and the company reports positive feedback. Starcom has recently signed an agreement with the Russian distributor that previously tested the product and ordered an initial 500 units. This conditional agreement sets purchase/supply targets and Starcom is aiming for the delivery of up to \$2m of Lokies in 2020. The three-year agreement provides exclusivity to the distributor in Russia, subject to them hitting certain targets.
- Kylos** – Starcom has achieved certification for its Kylos Air cargo tracking device from airlines including Southwest Airlines and Swiss WorldCargo. Certification is being pursued directly but also through Bosch Connected Devices and Solutions that markets the Kylos Air as the TDL140. CubeMonk Inc has also placed the first orders for Kylos units to be integrated in its unit load device, SmartCube, following last year’s pilot. The companies are discussing a long-term supply agreement.
- Other prospects** – There is scope to build on other customers secured in 2019. CropX has completed its product ramp up process and has recently placed additional orders. A \$1.3m order for a new Helios unit was secured in December for the automotive market; Zero expects to increase sales of its electric motorcycles where Helios is integrated and there are further opportunities with Israel Chemicals Ltd and WIMC Solutions.

Year End:

| (\$'000) | 2018A | 2019E (new) | 2019E (old) | 2020E (new) | 2020E (old)E | 2021EE |
|-----------------|--------|-------------|-------------|-------------|--------------|--------|
| REVENUE | 5,994 | 6,807 | 6,671 | 8,479 | 7,452 | 9,783 |
| ADJ. EBITDA | (8) | 294 | 271 | 449 | 469 | 921 |
| ADJ. PBT | (145) | (6) | 91 | 169 | 319 | 641 |
| ADJ. EPS (p) | (0.09) | (0.00) | 0.03 | 0.05 | 0.11 | 0.20 |
| NET CASH/(DEBT) | (435) | (169) | (471) | (435) | (561) | (340) |
| EV/EBITDA (x) | NEG | 12.3 | | 8.7 | | 4.1 |
| PER (x) | NEG | NEG | | 22.7 | | 6.0 |

Allenby Capital acts as Nomad & Joint Broker to Starcom plc (STAR.L).

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