

Starcom Plc
("Starcom" or the "Company")

Trading Update

The Board of Starcom (AIM: STAR) is pleased to provide the following trading update for the year ended 31 December 2019 and an update on the Company's prospects for the current year.

The Company expects to announce its audited results for the year ended 31 December 2019 in early March 2020. The Company's preliminary unaudited accounts for 2019 show an improvement over the previous year and in line with current market expectations: revenues are significantly higher at around \$6.8 million, an increase of 14% (2018: \$5.99 million) and gross margin remained stable at 41% (2018: 40%). Subject to final audit, Adjusted EBITDA* for the year is expected to be approximately \$300,000 (2018: Adjusted EBITDA loss of \$8,000).

In addition to improved financial results, during 2019 the Company made significant progress strengthening its product offering and, through an improved product mix, has created the opportunity for faster growth.

Following its successful launch in April 2019, Lokies, the Company's intelligent reporting padlock product, is attracting growing demand. The Company has recently signed an agreement with the Russian distributor that had previously tested the product and ordered an initial 500 units. This conditional agreement sets purchase targets for the distributor and supply targets for the Company and, whilst there are no binding purchase commitments, the Company is targeting the delivery of up to \$2 million worth of Lokies in 2020. The agreement is for three years and provides exclusivity to the distributor in Russia, subject to them meeting certain targets.

The Board believes that Lokies, as an Internet of Things ("IoT") solution, could become the market leading product in the 'smart padlocks' market.

Kylos Air is also demonstrating Starcom's technological leadership as a provider of IoT solutions for tracking cargo. This product has now achieved industry certification from airlines that include Southwest Airlines and Swiss WorldCargo, to allow its utilisation in the air cargo market and, in turn, facilitate further sales.

The Company's US based client, Cubemonk Inc. has now placed the first orders of Kylos units which are to be integrated within its unit load devices, "SmartCube". This follows last year's successful pilot. Both parties are in discussions regarding a long-term agreement for larger future orders.

The Company is pleased to announce that CropX, which uses Starcom's IoT connectivity platform as a key component of its own product, has completed its product ramp-up process and has recently placed additional orders with the Company for delivery during H1 2020. This comes after a successful integration of the LoRa (Long Range) communications technology into the Starcom IoT platform, enabling low-cost, low-power monitoring in a mesh networking structure.

Other prospects for 2020 include building on successful collaborations with Zero Motorcycles Inc, Israel Chemicals Ltd, WIMC Solutions Inc and a Ukraine-based customer, as previously referred to in the Company's announcement on 12 December 2019.

The Board considers the progress made in 2019 provides a solid start to 2020 and that it indicates a promising growth trajectory for Starcom for this year and next.

Avi Hartmann, CEO of Starcom, commented, "We are pleased that the 2019 year-end financials are on target and reflect an upward trend, with revenue growth and positive Adjusted EBITDA. We are delighted to see that the changes in our product offering, which we have worked so hard on over the last three years, are now coming to fruition and we believe this will result in accelerated growth in 2020 and beyond."

*Adjusted EBITDA is earnings before interest, tax, depreciation and amortization and excluding one-off charges and share based payments.

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