

This announcement contains inside information for the purposes of Regulation 11 of the Market Abuse (amendment) (EU Exit) Regulations 2019/310.

10 February 2021

Starcom PLC
("Starcom" or the "Company")

Year End Trading Update

The Board of Starcom (AIM: STAR), which specialises in the development of wireless, Internet-Of-Things (IoT) based solutions for the remote tracking, monitoring and protection of a variety of assets, is pleased to provide the following trading update for the year ended 31 December 2020 ("FY 2020") 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 2020 in early March 2021.

The results for FY 2020 reflect the global impact of Covid-19 on the Company. The Company's preliminary unaudited accounts for 2020 show revenue of approximately \$5 million (2019: \$6.8 million), gross margin of 33% (2019: 41%) and an adjusted EBITDA* loss of approximately \$350,000 (2019: profit \$296,000).

The Company responded promptly to the Covid-19 crisis and reduced its overheads by approximately 10% compared with 2019. R&D expenses, however, were only reduced by a small amount to maintain investment and development in the Company's technologies. Margins were impacted by costs of amortisation and high logistics and shipment costs as a result of the pandemic, as capacity was reduced. As announced previously, due to the disruption caused by the pandemic, many of the Company's customers were unable to place orders and make payments as expected in 2020. The final results for FY2020 will therefore include appropriate provisions in respect of delays in payments by some customers who could not meet their obligations to Starcom.

The Company has been successful in securing a low-cost long-term bank loan as well as government grants to mitigate the effects of the pandemic, and the resulting and unexpected cashflow pressure.

It is encouraging to see that, even in such a challenging year, the Company could still rely on its strong and loyal customer base to generate \$2.2 million of SaaS revenues, an increase of approximately 9% compared to the previous year. Although hardware sales were severely depressed by the pandemic at \$2.8 million, the newer and higher margin products – Kylos, Tetis and Lokies – still represented 40% of hardware sales. This included the second production batch of Lokies, which were well received by the customers.

Even during the long lock-down periods, the Company continued to maintain and further develop Starcom's strategic alliances and pipeline of potential projects. For example, work with Zero Motorcycles ("Zero") progressed during 2020 to ensure Starcom's technology can support Zero's new generation of motorcycles.

The Company is hoping to benefit from the new opportunities that the global vaccination effort presents within the logistics industry, most significantly, the need to monitor the temperature and other conditions of vaccines whilst in transit. The Company is already involved in discussions with two potential customers who provide vaccine logistics services.

Avi Hartmann, CEO of Starcom, commented, "I am pleased with the way Starcom has been able to cope with the impact of the pandemic. We have adjusted our costs quickly, secured financial resources to ensure business continuity, and in parallel, focused on retaining our key assets, mainly our solid client base and pipeline of future opportunities. I am particularly proud of our recurring SaaS revenues that grew this year despite the pandemic. I remain optimistic about Starcom's ability to return to growth as the market returns to normality."

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

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